2008 ANNUAL REPORT Investment Saskatchewan

Investment Saskatchewan

Letter Of Transmittal

Regina, Saskatchewan
March 31, 2009

His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the annual report for Investment Saskatchewan Inc. for the year ended December 31, 2008 in accordance with *The Crown Corporations Act, 1993*. The Consolidated Financial Statements included in this annual report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Lyle Stewart
Minister Responsible for Investment Saskatchewan Inc.

Chairperson's Message

Investment Saskatchewan's 2008 financial performance was remarkable, largely due to the positive financial performance and subsequent divestiture of Saskferco. The significant cash flows from Saskferco offset losses incurred by other commodity-based investments and allowed the Corporation to provide a significant return to its shareholder, Crown Investments Corporation.

During the year the Corporation worked with its investment manager to fulfill its mandate to support the provincial economy by advancing capital for new investments and ensuring prudent management of its portfolio.

In the last quarter of 2008, the Government of Saskatchewan announced its intention to withdraw from the funding commitments for the acquisition of assets made under a 2006 contractual arrangement with Victoria Park Capital.

The Board of Investment Saskatchewan will look forward to supporting the transition expected to occur in 2009.

On behalf of the Board of Directors, I wish to thank Paul Martin and Dennis Mulvihill who left the Board during 2008. Your dedication and counsel was helpful to your fellow Board Members. Additionally, I wish to pass on the Board's appreciation to Investment Saskatchewan's staff for their efforts in the past year.

Janice MacKinnon

Janice MacKinnon
Chairperson

Managing Director's Message

Investment Saskatchewan (IS) significantly surpassed expectations for its financial performance in 2008. The Corporation's net earnings of $691.0 million represent a record high for the Corporation and are largely due to a significant gain on the sale of Investment Saskatchewan's interest in Saskferco in the final quarter of the year.

IS sold Saskferco for proceeds of $816.9 million, resulting in a gain on sale of $679.8 million. Additionally, Saskferco paid dividends of $68.3 million during the year.

The Corporation's 2008 direct investment activity includes $14.3 million in new investments and $8.1 million to fullfill commitments made but not disbursed in earlier years.

The Corporation has been self-supporting in its operations. Investments have been funded from returns on its portfolio. The Corporation's strong cash flow enabled it to provide a distribution to Crown Investments Corporation of $782.5 million related to 2008 which included $543.0 million in dividends and a share redemption of $239.5 million.

I am pleased to report the strong financial performance of Investment Saskatchewan in 2008. The Corporation's staff, investment managers and Board of Directors worked well together to produce positive outcomes for the Province.

Rae Haverstock
Managing Director

Corporate Profile

Formerly known as CIC Industrial Interests Inc. (CIC III), Investment Saskatchewan (IS) was established in September 2003, as a designated subsidiary wholly-owned by Crown Investments Corporation of Saskatchewan (CIC) with an arms-length operating relationship to the Government of Saskatchewan.

In 2006, Investment Saskatchewan outsourced its investment management and new investment activity to Victoria Park Capital Inc. (VPC), a Saskatchewan-based venture capital and private equity management company.

The current mandate was established in 2003. The Corporation expects to change its mandate in 2009.

MANDATE

To enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to ensure prudent management of commercially viable investments.

VISION

Investment Saskatchewan will be an acknowledged leader in managing, directly and indirectly, the Province's investment assets.

MISSION

To support the growth of the provincial economy by investing in Saskatchewan businesses and achieving a return commensurate with risk on those investments.

VALUES

Customer Service – We are reliable and responsive in dealing with our shareholders, stakeholders, clients and colleagues.

Honesty and Trust – We are honest and transparent. We believe that through trust and respect for others, we will achieve an environment conducive to open communications.

Integrity – We do the "right" thing – the ethical thing which earns us the respect of the people with whom we deal.

Accountability – We are accountable to our stakeholders, shareholders and each other for our actions and the service we provide.

Teamwork – The value of working as a team with staff, our investment managers, and our shareholders is greater than the value of working individually. We share information, help and depend on each other, which results in better service to our customers and a better work environment.

INVESTMENT PHILOSOPHY

IS' investment philosophy in 2008 was to focus on investments that would support the growth of Saskatchewan's economic capacity. IS' capital was intended for a full spectrum of investment needs, from early stage to succession. The Corporation's investment manager focused on investment opportunities with businesses requiring $3.0 million or more in anticipated needs and provided debt and equity instruments in its managed portfolio.

MANDATE CHANGES TO BE MADE IN 2009

In December 2008, the Government of Saskatchewan announced its intention to withdraw from new investment activity under the contract with Victoria Park Capital that was put in place in 2006. The Corporation will focus its efforts on the management and eventual divestiture of its remaining assets. As a result, the Corporation has developed a new mandate, and mission statement.

MANDATE

To prudently manage and divest an existing portfolio of investments on behalf of the Province.

MISSION

To support an effective divestiture of the Corporation's investment portfolio that optimizes financial and public policy outcomes.

Portfolio Management

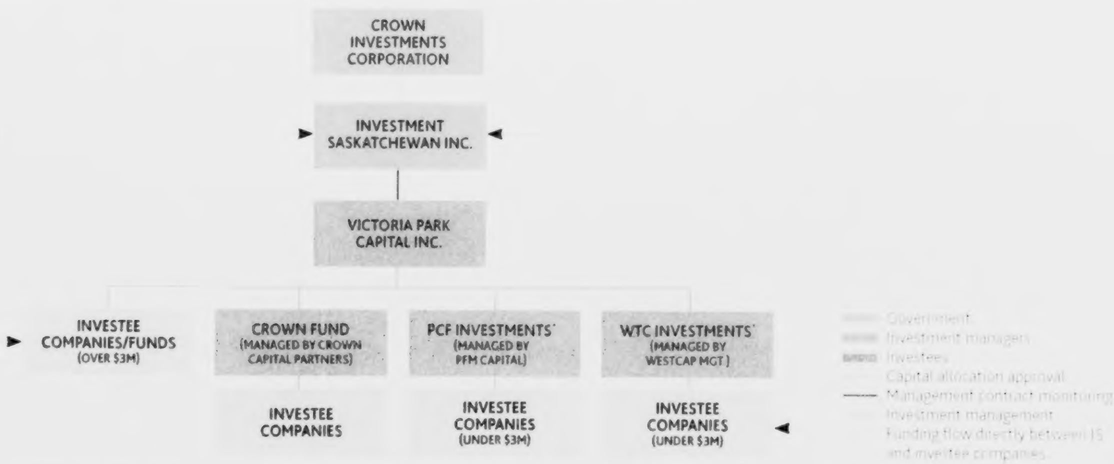
Investment Saskatchewan pursued its mandate by utilizing the expertise of private investment management firms.

Between 2000 and 2002, IS made commitments to invest in the Foragen Technologies Limited Partnership, the Western Life Sciences Venture Fund, and Prairie Ventures Limited Partnership; all of which are managed by external fund managers. In 2003, the Corporation outsourced the management of a number of smaller investments in its portfolio to PFM Capital Inc. and Westcap Mgt. Ltd. In 2006, Victoria Park Capital (VPC) was created to manage its remaining portfolio and make new investments as IS' investment manager. While it was originally established as a subsidiary of IS, VPC is now wholly-owned by its employees. In 2007, IS acquired the Crown Fund, managed by Crown Capital Partners, as part of the proceeds from the HARO Financial Corporation's sale of Crown Life.

The investment contracts managed by PFM Capital and Westcap Mgt.Ltd. expired as of August 31, 2008. Since the portfolios managed by these companies had significantly diminished in value, the managers declined to renew the contracts and the portfolios are now managed by VPC.

IS continues to own the investment portfolio under management by various investment managers and monitors and reports on activities and financial results.

INVESTMENT MANAGEMENT AND FUNDING STRUCTURE



* Contracts with PFM Capital Inc. and Westcap Mgt. Ltd. expired on August 31, 2008

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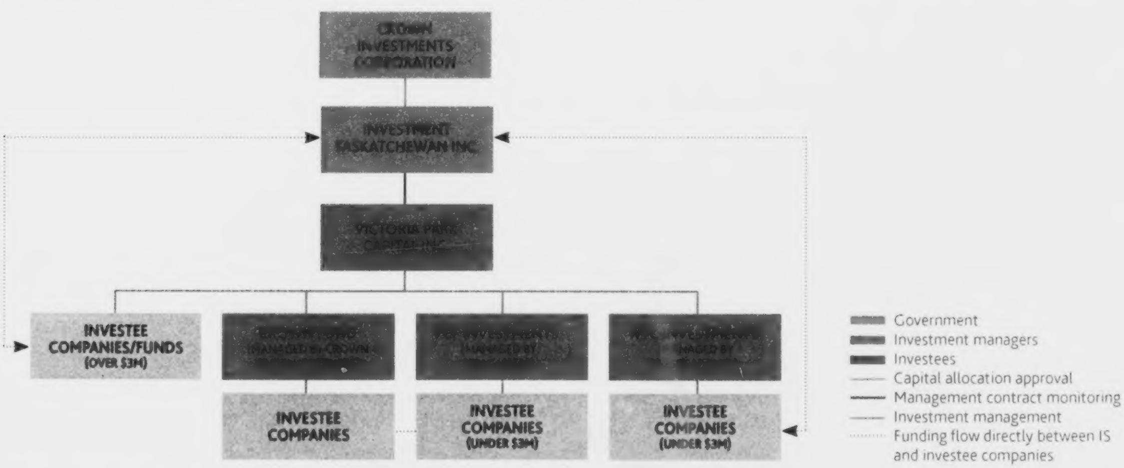

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2008 Year In Review

OVERALL CONSOLIDATED RESULTS

ACHIEVEMENTS:

- Net earnings of $691.0 million.
- Proceeds from the sale and collection of investments of $808.1 million.
- Dividends from investments of $68.3 million.
- Distributions of $782.5 million to CIC relating to 2008.
- Direct net investment disbursements of $22.4 million, including commitments made in previous years.

FINANCIAL PERFORMANCE:

IS' financial performance is closely tied to the performance of its investment portfolio.

At $691.0 million, IS' net earnings significantly exceeded its target of $46.2 million. The higher than expected performance is attributable to the sale of Saskferco. The following outlines significant financial transactions that contributed to the Corporation's performance.

- The final quarter sale of IS' interest in Saskferco for proceeds of $816.9 million and a gain on sale of $679.8 million.
- Saskferco dividends of $68.3 million were received through the year.
- The sale of IS' equity position and non-interest bearing loans in Meadow Lake Mechanical Pulp provided proceeds of $9.3 million.

The Corporation has been self-sustaining in its operations since 2003, making investments from returns on its portfolio. It was able to directly invest $22.4 million in new and add-on investments in 2008, including $8.1 million attributable to commitments made in previous years. It provided $782.5 million in returns to its shareholder, Crown Investments Corporation which included $543.0 million in dividends and a share redemption of $239.5 million.

PERFORMANCE MANAGEMENT:

	2008	2007	2006	2005	2004
Dollars directly invested by IS	$22.4 M	$53.3 M	$38.6 M	$9.3 M	$10.5 M
Sale of investments and collections	$808.1M	$19.9 M	$36.0 M	$45.0 M	$20.1 M
Dividends received from investment	$68.3 M	$31.6 M	$2.5 M	$21.1 M	$3.4 M
Distributions paid to CIC	$792.8M	$169.8 M	$0.0 M	$42.3M	$0.0 M

IS' financial statements report consolidated activity in accordance with generally accepted accounting principles in Canada. In the year in review section, IS reports on direct investment of IS as a legal stand alone entity

Includes $79.8M paid on behalf of 2006

Includes $10.3M paid on behalf of 2007

IS uses Internal Rate of Return (IRR) which is the standard measure of performance for venture capital and private equity investors.

IRR measures the return based upon total cash invested and total cash returned to the investor through repayments, dividends, etc., and an ending value, or terminal value. All of these amounts will be either actual or forecast depending on whether or not the investment has been liquidated. If the investment has not been liquidated, the IRR will be based upon forecasted cash flows and terminal value. If an investment asset has been sold, the IRR is based on actual cash flows including the actual proceeds resulting from the sale.

In order to ensure that its practices are consistent with industry standards, IS has established a standardized methodology for calculating IRR at the investment or project level as well as for the total portfolio. The results are reported annually in the Balanced Scorecard section of the Annual Report.

NEW DIRECT INVESTMENT ACTIVITY

In 2008, IS as a legal stand-alone entity directly engaged in $22.4 million of investment activity.

New investment activities included:

- $12.0 million equity investment in Wave Energy Ltd.
- $0.6 million disbursed of a $3.0 million equity commitment to VendAsta Technologies Inc.
- $1.7 million add-on equity investment in Can Pro Ingredients Ltd.

Disbursements made in 2008 to fulfill earlier commitments were:

- $3.0 million to Corporation HET
- $3.5 million add-on investment to Big Sky Farms
- $1.0 million to Quantec Geoscience Limited
- $0.6 million add-on investment in Foragen Technologies Limited Partnership

At December 31, 2008, the Corporation had outstanding investment commitments of:

- $0.9 million to Foragen Technologies Limited Partnership
- $2.4 million to VendAsta Technologies Inc.
- $4.1 million to the Crown Fund

DIVESTITURES, COLLECTIONS AND DIVIDENDS

Major sources of cash inflows resulted from the following transactions:

- IS sold its interest in Saskferco for proceeds of $816.9 million to Yara International ASA on October 1, 2008. To date, IS received $782.5 million of this amount. High fertilizer prices in 2008 contributed to an additional $68.3 million in dividend income from Saskferco during the year.

- In December, IS sold its equity and non-interest bearing shareholder loan in Meadow Lake Mechanical Pulp (MLMP) to its partner, the Sinar Mas Group. IS received proceeds of $9.3 million from this transaction which occurred on December 23, 2008. IS still holds an interest- bearing shareholder loan and equipment lease agreements with MLMP.

COMMUNITY INVOLVEMENT

IS supported its public purpose by making contributions through donations and sponsorships to various community and charitable causes. The majority of the Corporation's community sponsorship and donation activity is directed to assisting Saskatchewan's youth in developing entrepreneurial and business skills. IS' 2008 community support contributions exceeded $143,800.

Activities included support to students from the University of Regina and the University of Saskatchewan in honing their business skills at a JDC West competition. The Corporation has also established scholarships at both universities including two scholarships for aboriginal students. Support is also provided to students involved in business studies at the four SIAST campuses.

Organizations assisted by IS include Junior Achievement, Global Vision, the Saskatchewan Young Professionals and Entrepreneurs Association, Saskatchewan Environmental Industry and Managers Association and Springboard West Innovations Inc.

The following are a few comments received by individuals and organizations that benefited from IS' community support:

"Thank you for fostering youth international leadership and supporting my endeavor to the APEC CEO Summit in Lima, Peru. Your commitment allowed me to tell the Saskatchewan story on a very international stage." Bryan McCrea received a grant to support his involvement with Global Vision's Junior Team Canada mission.

"This bursary is greatly needed to pay for expensive financial textbooks and help pay for tuition. Living on my own, I have a very tight budget and this award lifts a lot of stress off of my shoulders. I am looking very forward to finishing my education at SIAST and getting into the Financial Services World." Kathy Retzer, received a bursary through IS support to SIAST.

"Junior Achievement of Saskatchewan's ability to develop and deliver programs is only possible through the support of organizations like Investment Saskatchewan. Last year we were able to reach over 5000 Saskatchewan youth who were interested in understanding business and economics as well as developing their entrepreneurial and leadership skills. Thank you for your investment in our youth." Darren Hill, President/CEO Junior Achievement of Saskatchewan.

The Portfolio of Investments

INVESTMENT	BOOK VALUE AT DEC. 31, 2008 ($ MILLIONS)	ACCOUNTING TREATMENT		
		FAIR VALUE	COST	EQUITY
CONSOLIDATED ENTITIES				
Big Sky Farms Inc. - Debt	3.7			
Big Sky Farms Inc. - Equity	18.2			
Centennial Foods Partnership	2.8			
Foragen Technologies Limited Partnership	2.6			
Meadow Lake Pulp Limited Partnership	30.6			
Prairie Ventures Limited Partnership	8.0			
Saskatchewan Valley Potato Corporation	1.1			
TOTAL CONSOLIDATED ENTITIES	**67.0**			
EQUITY				
Bioriginal Food & Science Corp.	2.4			•
Can Pro Ingredients Ltd.	5.1			•
Clinicare Corporation	1.2			•
Corporation HET	2.6			•
Fairmount Energy Inc.	0.1	•		
Jump.ca Wireless Supply Corp.	8.3			•
L&M Wood Products Limited Partnership	1.8			•
MCN BioProducts Inc.	1.5		•	
Meadow Lake OSB Limited Partnership	27.7			•
Performance Plants Inc.	7.6		•	
Phenomenone Discoveries Inc.	5.2		•	
Premium Brands Income Fund	10.0	•		
Primaxis Technology Ventures Incorporated	0.1		•	
Quantec Geoscience Limited	3.0		•	
Solido Design Automation Inc.	1.5			•
Targeted Growth Inc.	8.7		•	
Universal Energy Group[1]	2.6	•		
VendAsta Technologies Inc.	0.6			•
Wave Energy Ltd.	12.0		•	

THE PORTFOLIO OF INVESTMENTS

INVESTMENT	BOOK VALUE AT DEC. 31, 2008 ($ MILLIONS)	ACCOUNTING TREATMENT		
		FAIR VALUE	COST	EQUITY
Western Life Sciences Venture Fund LP[1]	0.0			•
YM Biosciences Inc.	0.0	•		
DEBT				
Can Pro Ingredients Ltd.	1.8		•	
Kitsaki Zelensky Limited Partnership	0.3		•	
L&M Wood Products Limited Partnership	2.5		•	
Meadow Lake Mechanical Pulp	3.9		•	
Terra Grain Fuels Inc.	23.9		•	
OUTSOURCED PORTFOLIOS				
Crown Fund includes the following in addition to shares in Big Sky and Bioriginal:				
Axia NetMedia Corporation	0.9	•		
Clothing for Modern Times Ltd.	16.3	•	•	
ETEC Environmental Technologies Equipment Corp.[2]	0.0		•	
Stegg Limited	6.1		•	
PCF Investments	0.0	•		
WTC Investments	0.7	•	•	
INVESTMENTS HELD BY CONSOLIDATED ENTITIES				
Big Sky Farms Inc.	0.0			
Foragen Technologies Limited Partnership	2.1			
Prairie Ventures Limited Partnership[3]	13.7			
TOTAL CONSOLIDATED INVESTMENTS	**174.2**			

[1] Our share of losses has resulted in a negative book value. As a result, per accounting standards, the Corporation is recording this investment at $nil.

[2] Book value less than $0.1 million.

[3] Prairie Ventures Limited Partnership includes an equity investment of $0.3 million in Universal Energy Group and a debt investment of $2.9 million in Terra Grain Fuels Inc.

The following is a description of IS' significant direct investments at December 31, 2008.

EQUITY INVESTMENTS:

BIG SKY FARMS INC.

From its head office in Humboldt, Big Sky Farms operates a number of farrow-to-finish hog production facilities in Saskatchewan.

BIORIGINAL FOOD & SCIENCE CORP.

Bioriginal is a global provider of innovative essential fatty acid solutions. Its products are used in nutraceuticals, functional foods, skin care products, cosmetics, animal feed, veterinary products and over-the-counter pharmaceuticals. Bioriginal's head office is in Saskatoon, Saskatchewan.

CAN PRO INGREDIENTS LTD.

Can Pro Ingredients will manufacture an array of canola and alfalfa-based products including a fishmeal replacement from canola for aquaculture, canola oil for animal feed products, pellets made from alfalfa and canola hulls. The company's plant is in Aborfield, Saskatchewan.

CLINICARE CORPORATION

Headquartered in Calgary, Clinicare develops, markets and supports computer software solutions for medical group practices in Canada. Clinicare opened an office in Saskatoon, Saskatchewan in early January, 2007.

HORIZON ENVIRONMENTAL TECHNOLOGIES

Corporation HET was created to commercialize a yeast-based technology developed by the University of Quebec. HET intends to use its technology to produce a high value animal feed from cheese whey. The company is expected to establish an office in Saskatoon, Saskatchewan.

JUMP.CA WIRELESS SUPPLY CORP.

Jump.ca sells wireless products and services including cellular phones, wireless data solutions, high speed internet, interactive television and monitored security systems. Jump.ca products are sold at retail stores throughout Saskatchewan and on an e-commerce website.

L & M WOOD PRODUCTS

L & M Wood Products is an established sawmill and post plant operation based in Glaslyn, Saskatchewan.

MCN BIOPRODUCTS INC.

MCN BioProducts is a technology company focused on unlocking the value of canola for use in large feed, food and cosmetic markets. MCN operates a pilot scale plant in Saskatoon, Saskatchewan.

MEADOW LAKE OSB LIMITED PARTNERSHIP

North West Communities, Meadow Lake Tribal Council, Tolko Industries Ltd. and IS formed a partnership in 2002 to build and operate an oriented strand board facility in the vicinity of Meadow Lake, Saskatchewan. The mill is managed by Tolko.

PERFORMANCE PLANTS INC.

Performance Plants focuses on gene evaluation and the development of agronomically important plant traits. With offices in Kingston, Ontario and Saskatoon, Saskatchewan, the company creates value by bringing innovative crop technologies to the market.

PHENOMENOME DISCOVERIES INC.

Phenomenome Discoveries Inc. is a human health research company based in Saskatoon, Saskatchewan with a mission to enhance and extend human life. The company has identified novel, non-invasive blood serum diagnostic biomarkers for human health disorders.

PREMIUM BRANDS INCOME FUND

Premium Brands owns a broad range of leading branded specialty food businesses with manufacturing and distribution facilities located throughout Western Canada, including Yorkton, Saskatchewan.

QUANTEC GEOSCIENCE INC.

Quantec provides geophysical consulting services to the mining industry with a focus on data acquisition, interpretation and survey execution. Quantec is an established leader in providing exploration solutions from offices in eight countries around the world. Quantec has an office in Saskatoon, Saskatchewan.

SOLIDO DESIGN AUTOMATION INC.

Solido is an electronic design automation company pioneering transistor-level design enhancement solutions for analog/mixed-signal design, as well as custom digital and memory design. It is privately held and headquartered at Innovation Place in Saskatoon, Saskatchewan.

TARGETED GROWTH INC.

Targeted Growth was formed to commercialize technologies discovered at the University of Washington and the Fred Hutchinson Cancer Research Center. The company modifies genes to improve yields in commercial crops. The company is based in Seattle, Washington. Its Canadian operations are located in the Plant Biotechnology Institute in Saskatoon, Saskatchewan.

UNIVERSAL ENERGY GROUP

Universal Energy Group markets electricity and natural gas and is now positioned to be the largest producer of wheat-based ethanol in western Canada. IS received shares in the company by exercising warrants on its subordinated debt investment with Terra Grain Fuels, which merged with Universal Energy Group. Universal Energy Group is a publicly traded corporation.

VENDASTA TECHNOLOGIES INC.

VendAsta Technologies Inc. is a Saskatoon-based software company with a specialty in designing software to track, manage and market complex capital assets.

WAVE ENERGY LTD.

Wave Energy Ltd. is a private oil and gas exploration and development company with significant land holdings in Saskatchewan, Alberta, and Montana.

LOAN INVESTMENTS:

TERRA GRAIN FUELS INC.

Terra Grain Fuels constructed a 150 million litre per year wheat-based ethanol plant near Belle Plaine, Saskatchewan. The plant became operational in 2008.

MEADOW LAKE MECHANICAL PULP

The Meadow Lake pulp mill is a zero-effluent chemi-thermomechanical pulp mill, located near Meadow Lake, Saskatchewan. The mill was previously owned by Meadow Lake Pulp Limited Partnership and was sold to Meadow Lake Mechanical Pulp in January 2007.

FUNDS:

FORAGEN TECHNOLOGIES LIMITED PARTNERSHIP

Foragen Technologies Limited Partnership is an early-stage seed capital fund with a mandate to commercialize early-stage, advanced agricultural technologies from sources primarily in Canada. The fund is managed by Foragen Technologies Management Inc. which is located in Saskatoon, Saskatchewan.

PRAIRIE VENTURES FUND

Prairie Ventures Fund is an institutional venture capital fund which includes investment by approximately 20 Credit Unions, IS, and a number of private entities or individuals. The fund is managed by PFM Capital Inc. based in Regina, Saskatchewan.

WESTERN LIFE SCIENCES VENTURE FUND

Western Life Sciences Venture Fund is an early-stage seed capital fund with a mandate to invest in companies involved in the commercialization of medical and pharmaceutical technology from sources throughout Western Canada. It is managed by Lombard Life Sciences located in Winnipeg, Manitoba.

OUTSOURCED PORTFOLIO:

CROWN FUND

In 2007, IS acquired $55 million in assets known as the Crown Fund through the sale of Crown Life Insurance Company (Crown Life) to Canada Life Assurance Company by HARO Financial Corporation (HARO) and Extendicare REIT. IS held the financial interest in HARO. The Crown Fund assets are part of a package of investments previously owned by Crown Life which continue to be managed by Crown Capital Partners on behalf of IS.

These Crown Fund assets included equity investments in Big Sky Farms Inc. and Bioriginal Food and Science Corp. IS also held shares in these two corporations independent of the Crown Fund. Other major Crown Fund investments that are managed by Crown Capital Partners include Axia NetMedia Corporation, Clothing for Modern Times Ltd. and Stegg Limited.

2008 Balanced Scorecard

CUSTOMER AND STAKEHOLDER

2008 OBJECTIVES	MEASURES	2008 ACTUAL	2008 TARGET
To provide investment capital to increase economic activity in Saskatchewan	Deals closed	5	7
	Dollars of investment	$26.4 M	$35.7 M

Definitions:

DEALS CLOSED – Number of investments closed including investments in new companies not previously part of the portfolio and add-on investments in current investee companies not previously committed to.

DOLLARS OF INVESTMENT – Dollars disbursed to investments, including commitments previously made. The total includes $4.0 M in new investment activity to L & M Wood Products which was included in IS' 2007 financial reports but was being held in trust pending closing conditions at year end.

FINANCIAL

2008 OBJECTIVES	MEASURES	2008 ACTUAL	2008 TARGET
To achieve a return on the new portfolio commensurate with risks and maximize a rate of return on the legacy portfolio	Net income	$691.0 M	$46.2 M
	Self-supporting debt as a % of total debt (GRF debt)	100%	100%
	Projected IRR – Legacy portfolio (weighted aggregate)	5.78%	4.58%
	Projected IRR – New investments (weighted aggregate)	31.69%	Greater than or equal to projected IRR at time of investment
	Realized gain on liquidations over original forecasted IRR	6.56%	Greater than forecasted IRR
	Dividend/Share redemption to CIC	$ 782.5 M	$108.0 M

Definitions:

NET INCOME - Per IS financial statements

SELF SUPPORTING DEBT - % of IS legal entity debt that can be funded by IS internally generated cash flow

PROJECTED IRR LEGACY – The weighted aggregate of the projected IRRs of the legacy portfolio, weighted based on the total amount invested in each investment

PROJECTED IRR NEW PORTFOLIO – The weighted aggregate of the projected IRRs of the new portfolio, weighted based on the total amount invested in each investment

REALIZED GAIN OVER ORIGINAL FORECASTED IRR - For exited investments, a determination of whether the actual gain on exit is greater than or lower than the original IRR at time of investment

DIVIDEND/SHARE REDEMPTION – Per CIC Distribution policy

PUBLIC PURPOSE

2008 OBJECTIVES	MEASURES	2008 ACTUAL	2008 TARGET
To increase private sector capital invested in Saskatchewan enterprises	Ratio of IS: Partner capital invested	$1:$3.21	$1:$1.50
	# of syndicate partners	14	8
To contribute to shareholder priorities by supporting business development, community organizations and the environment	Environmental reviews part of investment decisions	100%	100%
	Annual sponsorship of business development, community, youth and the environment	$143.8 K	$180 K
	Purchase of goods and services from Sask. suppliers	99.2 %	97 %

Definitions:

RATIO OF IS: PARTNER CAPITAL – Total value of disbursed funds by IS legal entity to new and add-on investees, over the value of the disbursed funds of our partners in the same investment

 # OF SYNDICATE PARTNERS – The number of syndicate partners that invest alongside IS in new investments and add-on investments

ENVIRONMENTAL REVIEWS PART OF INVESTMENT DECISIONS – % of reviews undertaken by the Investment Manager regarding the environment during the due diligence stage of an investment

ANNUAL SPONSORSHIPS – The amount of sponsorships to community and charitable organizations, environmental research, entrepreneurial and business start-up education, business students and organizations supporting youth

PURCHASE OF GOODS AND SERVICES FROM SASK. SUPPLIERS – % of Saskatchewan suppliers as listed in the IS vendor list

HUMAN RESOURCES AND ORGANIZATION

2008 OBJECTIVES	MEASURES	2008 ACTUAL	2008 TARGET
To retain and motivate our staff to achieve	Average training hours per employee	45.0	37.5

Definitions:

TRAINING HOURS – Average training hours undertaken by IS staff (5.5 employees)

2009 Balanced Scorecard

CUSTOMER AND STAKEHOLDER

2009 OBJECTIVES	MEASURES	2009 TARGET
To prudently manage and divest its existing portfolio	Number of legacy investments divested	5
	Number of new investments divested	2

Definitions:

LEGACY ASSETS DIVESTED – Divestiture of defined assets per the IMA

NEW ASSETS DIVESTED – Divestiture of new investment assets attained per the IMA

FINANCIAL

2009 OBJECTIVES	MEASURES	2009 TARGET
To monitor and report on returns achieved by the portfolio	Net income	$18.7 M
	Contingent liabilities to current assets ratio	37%
	Projected IRR – Legacy portfolio (weighted aggregate)	5.84%
	Projected IRR – New investments (weighted aggregate)	Greater than or equal to projected IRR at time of investment
	Realized gain on liquidations over original forecasted IRR	Greater than original forecasted IRR
	Dividends to CIC	$165.2M
	Share redemption	-

Definitions:

NET INCOME - Per IS financial statements

CONTINGENT LIABILITIES TO CURRENT ASSETS - IS establishes provisions for environmental and legal liabilities related to assets. This ratio is a measure of the corporation's financial flexibility

PROJECTED IRR LEGACY – The weighted aggregate of the projected IRRs of the legacy portfolio, weighted based on the total amount invested in each investment

PROJECTED IRR NEW PORTFOLIO – The weighted aggregate of the projected IRRs of the new portfolio, weighted based on the total amount invested in each investment

REALIZED GAIN OVER ORIGINAL FORECASTED IRR - For exited investments, a determination of whether the actual gain on exit is greater than or lower than the original IRR at time of investment

DIVIDEND/SHARE REDEMPTION – Per CIC Distribution policy. Achievement of the dividend target is dependent on cash flows generated from investee companies which are vulnerable to market fluctuations in their respective industries

PUBLIC PURPOSE

2009 OBJECTIVES	MEASURES	2009 TARGET
To contribute to shareholder priorities by supporting business development, community organizations and the environment	Annually review provisions for environmental liabilities and progress on required remediation	100%
	Annual sponsorship of business development, community, youth and the environment	$140K
	Purchase of goods and services from Sask. suppliers	97%

Definitions:

ENVIRONMENTAL LIABILITIES AND REMEDIATION - % of files reviewed annually where known environmental liabilities exist to ensure the corporation has appropriate contingencies and plans for remedial action where required

ANNUAL SPONSORSHIPS – The amount of sponsorships to community and charitable organizations, environmental research, entrepreneurial and business start-up education, business students and organizations supporting youth

PURCHASE OF GOODS AND SERVICES FROM SASK. SUPPLIERS – % of Saskatchewan suppliers as listed in the IS vendor list

HUMAN RESOURCES AND ORGANIZATION

2009 OBJECTIVES	MEASURES	2009 TARGET
To retain and motivate our staff to achieve	Average training hours per employee	37.5

Definitions:

TRAINING HOURS – Average training hours undertaken by IS staff (5.5 employees)

MANAGEMENTS'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis

For The Year Ended December 31, 2008

INTRODUCTION

To assist readers in assessing the results of Investment Saskatchewan Inc. ("IS" or the "Corporation") as a consolidated entity, management has included audited consolidated financial statements, in accordance with Canadian generally accepted accounting principles ("GAAP"), which include Investment Saskatchewan's interests in the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures, in addition to those of the Investment Saskatchewan legal entity.

Investment Saskatchewan measures returns on investments through its share of investment earnings or losses, dividends, loan repayments, the increase or decrease in the value of investments, and internal rate of return. The Corporation safeguards its assets and manages its expenses, liabilities and cash flows.

Management's Discussion and Analysis ("MD&A") has been prepared on a consolidated basis, corresponding with the audited financial statements presented herein.

Many sections of the MD&A contain forward looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

CORPORATE BACKGROUND

Investment Saskatchewan Inc. is a designated subsidiary Crown corporation under ***The Crown Corporations Act, 1993*** and an incorporated entity under ***The Business Corporations Act (Saskatchewan)***. Formerly known as CIC Industrial Interests Inc. (CIC III), Investment Saskatchewan was established as a stand-alone entity in September 2003, wholly-owned by Crown Investments Corporation of Saskatchewan ("CIC"). The Corporation's current mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to ensure prudent management of commercially viable investments.

Key Accounting Estimates, Assumptions, and Policies

The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP applied on a consistent basis. The accounting policies are summarized in Note 3 to the accompanying consolidated financial statements. Those accounting policies and estimates of significance are highlighted below.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates require management to make subjective or complex judgments. These include the useful life of depreciable assets used to compute amortization, valuation of inventories and breeding stock, asset impairment, carrying amounts of investments, provisions for contingencies related to environmental clean-up activities and insurance liabilities, valuation of the assets and liabilities of discontinued operations and accounting for variable interest entities. Accordingly, actual results could differ from these and other estimates thereby impacting future results by a material amount.

CONTINGENCIES

The Corporation will accrue a potential liability if it is likely and it can reasonably be estimated, based on information available at the time.

CONSOLIDATION PRINCIPLES AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Investment Saskatchewan Inc. and its subsidiaries:

- Big Sky Farms Inc.
- CIC Foods Inc. (Centennial)
- CIC FTLP Holdings Inc. (Foragen)
- CIC FTMI Holdings Inc.
- CIC OSB Products Inc. (ML OSB)
- CIC Pulp Ltd. (MLPLP)
- CIC PVF Holdings Inc. (Prairie Ventures Limited Partnership)
- CIC Swine Genetics (NL) BV
- CIC WLSVF Holdings Inc. (Western Life Sciences Venture Fund)
- HARO Financial Corporation (HARO)
- Investment Saskatchewan Swine Inc.
- Invest Sask Holdings Inc.
- IS Belle Plaine Holdings Inc.
- Saskatchewan Valley Potato Corporation
- 101069101 Saskatchewan Ltd. (holds 2005 MLPLP debt purchase)
- 101039181 Saskatchewan Ltd. (formerly CIC Swine Genetics Inc.)

All material inter-company transactions are eliminated on consolidation.

INVESTMENTS

The consolidated financial statements also include cost, fair value and equity basis investments held by IS. Investments in the form of loans and other advances are recorded at amortized cost using the effective interest method. Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence are recorded at fair value unless the investment does not have a readily available market value. Such investments that do not have a readily available market value are recorded at cost. Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

Where there has been a decline in the value of an investment which is not considered temporary, the investment is written down to its estimated fair value.

JOINT VENTURES

The consolidated financial statements include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses and cash flows of joint venture interests. The Corporation's share of jointly controlled enterprises is as follows:

- Foragen Technologies Limited Partnership
  33.3%
- Centennial Foods Partnership
  33.1%

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Under Canadian GAAP, consolidation principles are applied to certain entities that are not subject to control on the basis of ownership of voting interests. These entities are known as variable interest entities ("VIE").

VIE accounting principles apply if an enterprise holds economic interests in an entity which expose that enterprise to the majority of the entity's risks, or if no one holds such a majority, the majority of its rewards.

The Corporation has determined that MLPLP is a VIE and has consolidated it in the Corporation's financial statements.

Consolidated Financial Results and Discussion

SUMMARY OF KEY FINANCIAL RESULTS ($ millions)

	2008	2007
Net earnings	**691.0**	11.5
Earnings from continuing operations	**740.3**	11.7
(Loss) from discontinued operations	**(49.3)**	(0.2)
Total revenues	**893.0**	217.2
Total expenses	**164.1**	190.1
Total investments	**174.2**	328.6
Total assets	**564.5**	652.5

RESULTS OF OPERATIONS

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2008 as compared to the year ended December 31, 2007, and should be read in conjunction with the audited consolidated financial statements included in this annual report.

The net earnings were $691.0 million in 2008, as compared to $11.5 million in 2007, an increase of $679.5 million from the prior year. This increase was mainly attributable to the sale of our interest in Saskferco Products Inc., which resulted in a gain of $679.8 million during 2008.

Consolidated revenue was $893.0 million, $675.8 million higher than 2007 consolidated revenue of $217.2 million. This increase was primarily due to an increase in the gain on sale of investments of $688.2 million. Interest and other revenue and earnings from equity basis investments also increased as compared to the prior year by $12.6 million and $30.6 million respectively. These increases were offset by a decrease in sales of goods and services of $55.5 million.

Our consolidated gain on sale of investments was $690.6 million during 2008, increasing $688.2 million from the $2.4 million recorded in the prior year. As discussed above, this increase is mainly due to the gain on the sale of Saskferco Products Inc. in the amount of $679.8 million. Also contributing to the current year increase is $10.8 million of gains on the sale of investments from our investment portfolio held by our subsidiary Prairie Ventures Limited Partnership.

Sales of goods and services revenue decreased to $115.6 million (2007 - $171.1 million). This reduction was largely due to the operations of Meadow Lake Pulp Limited Partnership (MLPLP) ceasing in early 2007. As a result, IS recorded $41.3 million of sales of goods and services in 2007 prior to MLPLP ceasing operations, whereas, in the

current year no revenues from operations were recorded. Also contributing to lower sales of goods and services are a decrease in Big Sky Farms Inc. sales in the amount of $14.2 million due to the tougher economic climate and pricing environment the company operated in during 2008.

Consolidated interest and other revenues increased to $26.1 million (2007 - $13.4 million). This increase is predominantly due to income earned from the operations of Big Sky Farms Inc. from gains relating to futures contracts and amounts received from government programs.

Consolidated earnings from equity investments increased to $60.8 million (2007 – $30.2 million). Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio. Earnings from equity investments were as follows:

EARNINGS (LOSSES) FROM EQUITY INVESTMENTS ($ millions)

	2008	2007
Bioriginal Food & Science Corp.	**(1.2)**	(4.2)
Can Pro Ingredients Ltd.	**(0.2)**	(0.2)
Clinicare Corporation	**(1.0)**	(0.8)
Jump.ca Wireless Supply Corp.	**1.5**	0.3
L&M Wood Products Limited Partnership	**(0.6)**	0.0
Meadow Lake Mechanical Pulp Inc.	**1.4**	0.5
Meadow Lake OSB Limited Partnership	**(5.4)**	(3.3)
Saskferco Products Inc.	**69.4**	38.9
Solido Design Automation Inc.	**(0.8)**	(1.0)
Western Life Sciences Venture Fund	**(1.9)**	(0.3)
Other	**(0.4)**	0.3
Total	**60.8**	30.2

CONSOLIDATED FINANCIAL RESULTS AND DISCUSSION

Prior to our sale of Sask[illegible]o Products Inc., solid earnings were recorded due to continued strong urea and ammonia sales volumes and increased pricing, resulting in $69.4 million in earnings from this investment in 2008 (2007 – $38.9 million).

Consolidated expenses decreased $26.0 million to $164.1 million (2007 – $190.1 million). This is mainly due to reduced operating costs of $23.1 million which is attributable to the operations of Meadow Lake Pulp Limited Partnership (MLPLP) ceasing in early 2007, resulting in a decrease in operating expenses from MLPLP in the amount of $37.7 million. Offsetting this is increased operating costs relating to the operations of Big Sky Farms of $13.4 million as a result of higher feed prices and transportation costs.

The Corporation recorded a recovery of loan losses and investments of $0.3 million in 2008 versus a provision for loan losses and write-down of investments of $3.6 million in 2007. A review of our portfolio resulted in minor adjustments in the current year. In the prior year, the majority of the provisions were taken on our investment in Primaxis Technology Ventures Inc. and our investment portfolios operated by Prairie Ventures Limited Partnership and Foragen Technologies Limited Partnership.

A minor provision for environmental liabilities relating to our continuing operations was recorded during the current year. Investment Saskatchewan currently has $9.5 million recorded as its total environmental liability from continuing operations, of which the majority of this balance relates to the Meadow Lake pulp mill site.

In the prior year, a review of our investment portfolio resulted in the Corporation recording a provision for impairment of its long-lived assets of its hog operations of $25.8 million. Included in this impairment provision was $7.6 million of goodwill related to those operations. The net effect after income taxes and non-controlling interests was $15.0 million. After performing the same review in 2008, it was determined that no additional provision for impairment of long lived assets and goodwill was necessary.

Net earnings from continuing operations were $740.3 million, compared to $11.7 million for 2007. The discussion above details the major variances that resulted in the significant improvement from the prior year.

The net loss from discontinued operations totaled $1.1 million as compared to net income of $23.8 million in the prior year. In the prior year, discontinued operations included HARO Financial Corporation, Crown Life Insurance Company and Centennial Foods Partnership. Due to the sale of these investments, any remaining assets and liabilities have now been classified as ongoing operations. Discontinued operations in the current year relate to specific assets identified within the operations of Big Sky Farms Inc. being held for sale.

Also included in discontinued operations are environmental liabilities relating to the indemnity provided by the former crown corporation, Prince Albert Pulp Company Ltd. (PAPCO), for both the Prince Albert pulp mill and ERCO Worldwide chemical plant site. While the Corporation did not own or have involvement in the operations of PAPCO, the decision by CIC to amalgamate PAPCO with Investment Saskatchewan transferred the environmental indemnity obligations of PAPCO to the amalgamated entity. During the current year, an external study was completed to estimate the potential environmental liability costs relating to the

ERCO Worldwide chemical plant site. Based on this study and a revision to previous provisions established for remediation of the Prince Albert pulp mill, a provision for environmental costs of discontinued operations of $48.2 million was recorded during the year. A similar study was completed in the prior year on the Prince Albert pulp mill. The majority of the $24.1 million recorded in the prior year related to this study.

Cash and cash equivalents increased $46.7 million to $175.6 million (2007 – $127.7 million). This increase is primarily due to the net effect of cash received from operations of $59.1 million, and proceeds from collection and sale of investments of $808.1 million. This was offset by the purchase of investments of $21.4 million and distributions to CIC of $792.8 million.

Consolidated long-term debt was $59.2 million (2007 – $60.8 million). Consolidated long-term debt due within one year is $43.8 million (2007 – $49.3 million), which includes a term bank loan in the amount of $40.0 million that was reclassified to current liabilities. This reclassification is a result of a subsidiary being in violation of financial covenants under their agreement with a lender at year end and the uncertainty around whether or not the subsidiary will continue to be in violation of these covenants in the future.

As part of the final closing of the sale of Crown Life Insurance Company to Canada Life Assurance Company, the Corporation issued a letter of credit for $31.4 million (2007 - $35.3 million) to Canada Life Assurance Company as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life Insurance Company that are deemed to be the responsibility of the previous owners. The letter of credit was reduced during the year due to the reduction in estimated litigation matters. The Corporation recorded a provision of $12.5 million (2007 - $14.2 million) as its best estimate of the actual cost of such contingent liabilities.

LIQUIDITY

The Corporation finances capital requirements through internally generated cash flow, cash returns from investments and borrowings from the General Revenue Fund ("GRF") and external financial institutions. Certain subsidiaries and joint ventures access financing primarily through financial institutions. The GRF may borrow in capital markets on behalf of Investment Saskatchewan and has ample access to capital markets for any borrowing requirements. The past borrowings from the GRF were transferred from CIC to Investment Saskatchewan Inc. effective October 1, 2003. Borrowings from the GRF totaled $nil at December 31, 2008 (2007 - $6.9 million).

OPERATING, INVESTING AND FINANCING ACTIVITIES

CASH FLOW HIGHLIGHTS ($ millions)

	2008	2007
Cash provided by (used in) operating activities	**59.1**	(3.6)
Cash provided by investing activities	**789.2**	170.4
Cash used in financing activities	**(801.6)**	(287.0)
(Decrease) increase in cash position	**46.7**	(120.2)
Cash position, end of year	**175.6**	128.9

Cash provided by operating activities was $59.1 million (2007 – $3.6 million used in operating activities). The $62.7 million increase from 2007 was primarily due to a reduction in cash used in operating activities from discontinued operations of $85.7 million. This decrease is as a result of HARO Financial Corporation, Crown Life Insurance Company and Centennial Foods Partnership being sold and any remaining assets and liablilities now being classified as ongoing operations. Offsetting this was $18.2 million less cash from the operations of Big Sky Farms due to low hog prices and high feed and transportation costs.

The Corporation received $789.2 million from investing activities in 2008 (2007 – $170.4 million). Cash sources included collections and sales proceeds from investments totaling $808.1 million, of which $782.5 million relates to the sale of Saskferco Products Inc. Other assets and liabilities provided cash of $2.3 million, which included changes in restricted cash, additions to breeding stock and settlement of insurance related liabilities. Activity surrounding purchases and sales of property, plant and equipment yielded $0.2 million of cash proceeds.

Purchasing investments in 2008 used cash of $21.4 million and included $12.0 million to Wave Energy Ltd, $3.0 million in Corporation HET, $1.7 million in Can Pro Ingredients Ltd., $1.0 million (third tranche) to Quantec Geoscience Limited, and $0.6 million in VendAsta Technologies Inc. Also, IS' consolidated entities Prairie Ventures Limited Partnership and Foragen Technologies Limited Parnership (Foragen) made investments in the amount of $3.1 million.

In addition, the Corporation invested $3.5 million in Big Sky Farms Inc. and $0.6 million in Foragen. These investments are eliminated on consolidation.

The Corporation used $801.6 million in cash from financing activities in 2008 (2007 – $287.0 million). In 2008, this included $8.1 million in repayments of long-term debt, including $6.9 million to the General Revenue Fund, proceeds from new debt taken on by the operations of Big Sky Farms Inc. of $6.7 million, an increase in bank indebtedness of $1.9 million, $2.0 million paid to settle environmental liabilities and payment of dividends of $560.6 million, of which $553.3 million was paid to our

shareholder CIC. Also paid to CIC was a redemption of share capital in the amount of $239.5 million.

RISK MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis by experienced third party investment managers and IS. The investment managers provide periodic reporting and recommendations to the Corporation's management and the Board of Directors in regards to investment returns, risks and investment strategy, including investment retention or sale. Investment Saskatchewan regularly assesses the appropriateness of the carrying value of investments, and writes down an investment if it determines that there is a decline in the value of an investment that is not considered temporary. Notwithstanding these write-downs and provisions, the Corporation continues to strive to maximize the ultimate returns from these investments. As part of this regular assessment, a recovery of loans and investments totaling $0.3 million has been reflected in 2008 (2007 – write-down of loans and investments, and impairment of assets and goodwill of $29.4 million). As part of routine operations, the Corporation reviews its risk management framework annually, both internally and with its third party investment managers.

OUTLOOK

Investment Saskatchewan's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio.

The Corporation undertook valuation reviews quarterly in 2008 as well as an extensive annual valuation review of investments as at December 31, 2008, resulting in certain provisions or recoveries being recorded. Quarterly valuations will continue to be conducted throughout 2009. The commodity-based environments in which major investments operate are volatile, resulting in negative earnings if there are downturns in these markets.

Management, in consultation with its third party investment managers, will continue monitoring investment market conditions for possible impairment of investments and will take provisions if required.

Investment Saskatchewan is cautiously optimistic that it will be profitable in 2009, despite anticipated challenges faced by some investments and the tough economic climate. Investment Saskatchewan has budgeted a profit of $18.7 million in 2009.

Depending on receipt of cash flows from investments, Investment Saskatchewan anticipates being self-supporting in cash requirements. Dividends to be declared to CIC in 2009 are dependent on these same factors. A distribution of $782.5 was declared during 2008 and was paid to CIC prior to the year ending December 31, 2008.

Investment Saskatchewan anticipates exiting a number of investments in 2009, but no investments have been included in the consolidated financial statements as assets held for disposal. The current tough economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the value cannot be maximized during 2009.

Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **Investment Saskatchewan Inc.** for the year ended December 31, 2008 are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. Financial information presented elsewhere in this annual report is consistent with the financial statements.

Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Finance Committee, consisting solely of outside directors, which meets periodically with management as well as with the external auditor and the Provincial Auditor of Saskatchewan. The Audit and Finance Committee has met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Rae Haverstock

Rae Haverstock
Managing Director

February 26, 2009

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the consolidated statement of financial position of **Investment Saskatchewan Inc.** as at December 31, 2008 and the consolidated statements of operations and retained earnings, comprehensive income, accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

February 26, 2009

INVESTMENT SASKATCHEWAN INC.

Consolidated Statement of Financial Position

As at December 31
(thousands)

	2008	2007
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 175,627	$ 127,664
Interest and dividends receivable	783	805
Accounts receivable	6,029	5,378
Inventories (Note 5)	30,532	33,304
Prepaid expenses	427	565
Restricted cash (Note 26)	57,348	21,447
Current assets of discontinued operations (Note 6)	363	1,551
	271,109	190,714
Investments (Note 8)	174,154	328,603
Property, plant and equipment (Note 10)	84,569	94,391
Other assets (Note 11)	33,768	36,771
Long-term assets of discontinued operations (Note 6)	911	1,998
	$ 564,511	$ 652,477
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness (Note 12)	$ 26,082	$ 24,171
Accounts payable and accrued liabilities	22,790	19,048
Dividends payable	-	10,310
Future income taxes (Note 15)	467	8,092
Current liabilities of discontinued operations (Note 6)	-	797
Long-term debt due within one year (Note 13)	43,795	49,340
	93,134	111,758
Environmental liabilities (Note 14)	9,538	11,526
Environmental liabilities of discontinued operations (Note 14)	85,696	37,491
Other liabilities (Note 16)	12,462	14,175
Long-term debt (Note 13)	15,404	11,410
Future income taxes (Note 15)	-	2,028
	216,234	188,388
Non-controlling interest	19,144	27,472
Shareholder's equity		
Share capital (Note 17)	180,000	419,517
Contributed surplus	722	605
Retained earnings	149,116	1,144
Accumulated other comprehensive income (loss) (Note 18)	(705)	15,351
	329,133	436,617
	$ 564,511	$ 652,477

Commitments and contingencies (Note 19)
(See accompanying notes)

On Behalf of the Board

Janice MacKinnon
Director

Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands)

		2008		2007
REVENUES				
Sale of goods and services	$	115,590	$	171,135
Interest and other		26,058		13,436
Earnings from equity basis investments (Note 9 a)		60,782		30,181
Gain on sale of investments		690,589		2,440
		893,019		217,192
EXPENSES				
Operating expenses		147,223		170,325
Amortization		9,996		10,441
Financing expense		6,927		9,307
		164,146		190,073
EARNINGS BEFORE THE FOLLOWING		728,873		27,119
Provision for environmental liabilities (Note 14)		(12)		(2,000)
Recovery of (provision for) loan losses (Note 9 b)		299		(264)
Recovery (write-down) of investments (Note 9 c)		35		(3,371)
Provision for impairment of assets and goodwill		-		(25,774)
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		729,195		(4,290)
Future income tax recovery (Note 15)		9,253		9,091
EARNINGS BEFORE NON-CONTROLLING INTEREST		738,448		4,801
Non-controlling interest		1,841		6,902
EARNINGS FROM CONTINUING OPERATIONS		740,289		11,703
Provision for environmental costs of discontinued operations		(48,205)		(24,077)
(Loss) earnings from discontinued operations		(1,116)		23,828
NET EARNINGS		690,968		11,454
RETAINED EARNINGS, BEGINNING OF YEAR		1,144		-
Dividends		542,996		10,310
RETAINED EARNINGS, END OF YEAR	$	149,116	$	1,144

(See accompanying notes)

Consolidated Statement of Comprehensive Income

For the Year Ended December 31
(thousands)

	2008	2007
NET EARNINGS	**$ 690,968**	$ 11,454
OTHER COMPREHENSIVE (LOSS) INCOME		
Net change in unrealized (losses) gains on available-for-sale investments	**(16,578)**	9,209
Net change in gains on derivative instruments designated as cash flows hedges	**369**	3,172
Net change in unrealized foreign currency translation gains (losses)	**153**	(44)
OTHER COMPREHENSIVE (LOSS) INCOME	**(16,056)**	12,337
COMPREHENSIVE INCOME	**$ 674,912**	$ 23,791

(See accompanying notes)

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

For the Year Ended December 31
(thousands)

	2008	2007
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	**$ 15,351**	$ -
Transition adjustment on adoption of new accounting rules on January 1, 2007	**-**	3,014
Other comprehensive (loss) income	**(16,056)**	12,337
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME, END OF YEAR	**$ (705)**	$ 15,351

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands)

	2008	2007
OPERATING ACTIVITIES		
Earnings from continuing operations	$ 740,289	$ 11,703
Dividends from investments - equity basis	68,303	31,573
Items not affecting cash from operations (Note 20)	(751,949)	(31,696)
Net change in non-cash working capital balances related to operations (Note 21)	3,614	71,661
Cash provided by operating activities from continuing operations	60,257	83,241
Cash used in operating activities from discontinued operations	(1,116)	(86,843)
Cash provided by (used in) operating activities	59,141	(3,602)
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments	808,090	19,946
Purchase of investments	(21,381)	(60,640)
Proceeds from sale of property, plant and equipment	442	26,111
Purchase of property, plant and equipment	(264)	(7,824)
Decrease (increase) in other assets and liabilities	2,273	(42,322)
Cash provided by (used in) investing activities from continuing operations	789,160	(64,729)
Cash provided by investing activities from discontinued operations	-	235,135
Cash provided by investing activities	789,160	170,406
FINANCING ACTIVITIES		
Repayment of long-term debt	(8,098)	(16,439)
Proceeds from long-term debt	6,716	5,450
Increase (decrease) in bank indebtedness	1,911	(18,198)
Proceeds of share issuance to non-controlling interest	-	60
Settlement of environmental liabilities	(2,000)	-
Dividends paid to minority interests of subsidiaries	(7,292)	(2,296)
Redemption of share capital	(239,517)	(110,677)
Dividends paid	(553,306)	(59,133)
Cash used in financing activities from continuing operations	(801,586)	(201,233)
Cash used in financing activities from discontinued operations	-	(85,780)
Cash used in financing activities	(801,586)	(287,013)
INCREASE (DECREASE) IN CASH POSITION	46,715	(120,209)
CASH POSITION, BEGINNING OF YEAR	128,912	249,121
CASH POSITION, END OF YEAR (Note 4)	$ 175,627	$ 128,912

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2008

1. STATUS OF THE CORPORATION

Investment Saskatchewan Inc. (the Corporation) provides investment capital and financing, and prudent management of commercially viable investments. The Corporation was incorporated under The Business Corporations Act (Saskatchewan) on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, the Corporation was designated a subsidiary of CIC to which the provisions of The Crown Corporations Act, 1993 apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

2. CHANGE IN ACCOUNTING POLICIES

Capital Disclosures

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Financial Instruments Disclosures

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments – disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Inventories

Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 3031 – Inventories. The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as an expense, including any write down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassifications of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year's results. Upon the adoption of the new standard, there was no impact to the Corporation's operating results.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Corporation has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan. An external

December 31, 2008

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

advisor has been engaged by the Corporation to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable.

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets (including research and development costs). The subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The new section will become effective on January 1, 2009. The Corporation is currently evaluating the effect of the adoption of this new section on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of Investment Saskatchewan Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
101039181 Saskatchewan Ltd. (formerly CIC Swine Genetics Inc.)
Big Sky Farms Inc.
CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics (NL) BV
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.
IS Belle Plaine Holdings Inc.
Saskatchewan Valley Potato Corporation

All material inter-company transactions have been eliminated on consolidation.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments – equity basis

Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Joint ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Foragen Technologies Limited Partnership (Foragen)	33.3%
Centennial Foods Partnership (Centennial Foods)	33.1%

Variable interest entities

The Corporation consolidates certain entities that are not subject to control on a basis of ownership of voting interests. Such an entity is referred to as a variable interest entity ("VIE").

An entity is classified a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of a VIE and has been consolidated in these financial statements.

b) Cash and cash equivalents

Short-term investments are recorded at fair value, and have original maturities of three months or less.

c) Fiscal year

These consolidated financial statements are presented as at December 31 and include the results of Centennial Foods Partnership as at its year end of November 2, 2008 and Big Sky Farms Inc. as at December 13, 2008. All other investments are included as at December 31, 2008.

d) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the Statement of Financial Position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

e) Inventories

Inventories are valued at the lower of cost and net realizable value.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Buildings	10 - 30 years
Equipment	3 - 15 years
Lagoons and wells	30 years
Equipment under capital lease	3 - 15 years

g) Breeding stock

Breeding stock is recorded at cost. Amortization is calculated using the straight-line method over the estimated productive life of the animals using the following guidelines:

Sows	6 farrowings
Boars	24 months

h) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Retained Earnings before net earnings.

i) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

j) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

k) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimate of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of long-lived assets. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

l) Environmental liabilities

Environmental liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

m) Stock-based compensation

One of the Corporation's subsidiaries has a stock option plan for certain of its employees, officers and one of its directors. The stock option plan is a tandem plan that offers both a stock option and a put right calling for settlement in cash. The subsidiary uses the fair value method to account for compensation related to stock options granted to employees whereby the value of the net cash settlement available to employees if they exercised the put right is recorded as a liability with an offsetting charge to compensation expense. The liability is reviewed annually and any change is adjusted to compensation expense. If the put rights are exercised, the cash settlement is made and the liability extinguished with any required adjustment being recorded through compensation expense in the period in which the right is exercised. If the stock options are exercised, the proceeds received by the subsidiary together with the amount recorded in accrued liabilities will be reflected as non-controlling interest. If the put right is exercised, the stock option is forfeited and vice versa.

n) Income taxes

One of the Corporation's subsidiaries recognize future income taxes for the expected future tax consequences of differences between the carrying amount of statement of financial position items and their corresponding tax values. Future income tax assets are amounts of income tax benefits arising in respect of deductible temporary differences and carry forward of unused tax losses. Future income tax liabilities are the amounts of income taxes arising from taxable temporary differences. The subsidiary computes future income taxes using the enacted corporate income tax rates for the years in which the differences are expected to reverse.

o) Financial assets and liabilities

The Corporation classifies its financial assets and liabilities into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All financial assets and liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial asset or liability. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are recognized immediately in net earnings.

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are accounted for at fair value, where determinable, with the change in the fair value recognized in net earnings. Cash and cash equivalents have been classified as held-for-trading assets. No financial liabilities have been classified as held-for-trading.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. Investments that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale investments, which are calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. The Corporation does not have any held to maturity investments at December 31, 2008.

Loans and other advances

Loans and other advances are accounted for at amortized cost using the effective interest rate method.

Financial assets and financial liabilities designated as held-for-trading under the fair value option

Financial assets and financial liabilities, other than those classified as held-for-trading, are designated as held-for-trading under the fair value option if they are reliably measurable, meet one or more of the criteria set out below, and are so designated by the Corporation. The Corporation may designate financial assets and financial liabilities as held-for-trading when the designation:

(i) eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains and losses on them, on different bases; or

(ii) applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments designated as held-for-trading under the fair value option are accounted for at fair value with the change in the fair value recognized in net earnings.

Other liabilities

Financial liabilities not designated as held-for-trading are classified as other liabilities. Other liabilities are measured at amortized cost using the effective interest method. Bank indebtedness, accounts payable and accrued liabilities, dividends payable and long-term debt are designated as other financial liabilities.

Derivatives and hedge accounting

Embedded derivatives

Derivatives may be embedded in other financial instruments (the 'host instrument'). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated using the fair value option. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

Hedge accounting

At the inception of a hedging relationship, certain of the Corporation's subsidiaries document the relationship between the hedging instrument and the hedged item, their risk management objectives and their strategy for undertaking the hedge. Those subsidiaries also require a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

All derivatives are recorded at fair value. Non-trading derivatives are recorded in other assets or other liabilities. The method of recognizing fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and, if the latter, the nature of the risks being hedged.

When derivatives are designated as hedges, the subsidiaries classify them either as: (i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (referred to hereafter as fair value hedges); (ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (referred to hereafter as cash flow hedges); or (iii) hedges of net investments in a foreign operation (referred to hereafter as net investment hedges).

The Corporation does not have financial instruments to which hedge accounting is applied for the year ending December 31, 2008.

Fair value hedge

Certain of the Corporation's subsidiaries and investees fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated as fair value hedging instruments are recorded in net earnings.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

along with changes in the fair value of the assets, liabilities or groups thereof that are attributable to the hedged risk. Any gain or loss in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in net earnings.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to net earnings based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized in which case it is recognized in net earnings immediately.

Cash flow hedge

Certain of the Corporation's subsidiaries and investees are exposed to future interest expense cash flows on non-trading liabilities that bear interest at variable rates, and commodity price cash flows on inputs consumed in their operations. The amounts and timing of future cash flows, representing interest expense and input costs, are projected for each portfolio of financial liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings in the period in which the hedged item affects earnings.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the forecasted transaction is eventually recognized in net earnings.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net earnings. Gains and losses accumulated in other comprehensive income are included in net earnings upon the repatriation or disposal of the investment in the foreign operation.

p) **Use of estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates (including useful lives of depreciable assets used to compute amortization, the valuation of inventories and breeding stock, asset impairment, the carrying amounts of investments, provisions for contingencies related to environmental clean-up activities, valuation of assets and liabilities of discontinued operations, and accounting for variable interest entities) require management to make subjective or complex judgments. Accordingly, actual results could differ from these and other estimates thereby impacting future results by a material amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

4. CASH AND CASH EQUIVALENTS

(thousands)

The major components of cash and cash equivalents are as follows:

		2008		2007
Cash on deposit	$	**19,824**	$	11,482
Short term investments, at rates of interest varying between 1.30% and 2.65% (2007 – 3.88% and 4.82%) invested by the General Revenue Fund		**155,803**		116,182
	$	**175,627**	$	127,664

Cash and cash equivalents consists of:

		2008		2007
Cash and cash equivalents of continuing operations	$	**175,627**	$	127,664
Cash of discontinued operations		-		1,248
	$	**175,627**	$	128,912

Supplementary cash flow information:

		2008		2007
Interest paid	$	**6,711**	$	6,817

5. INVENTORIES

(thousands)

		2008		2007
Hogs	$	**30,532**	$	33,304

6. DISCONTINUED OPERATIONS

The activity surrounding discontinued operations in the current year relates to specific assets identified within the operation of Big Sky Farms Inc. being held for resale.

The Corporation had previously classified HARO Financial Corporation (HARO), Crown Life Insurance Company (Crown Life), and Centennial Foods Partnership (Centennial) as discontinued operations during the sales process. Upon the sale of these investments, the Corporation has retained certain assets and liabilities, and therefore these assets and liabilities are part of the Corporation's ongoing operations.

7. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VARIABLE INTEREST ENTITIES

(thousands)

As noted in the summary of significant accounting policies (Note 3), the financial results of investments in subsidiaries, joint ventures, and variable interest entities are consolidated into the Corporation's financial results. These investments are as follows:

7. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VARIABLE INTEREST ENTITIES (CONTINUED)

(thousands)

Consolidated Investments		2008		2007
Big Sky Farms Inc. (a)				
Equity cost $37,013 (2007 - $37,013)				
Debt cost $3,500 (2007 - $nil)	$	**21,851**	$	30,543
Foragen Technologies Limited Partnership (b)				
Cost $12,710 (2007 - $12,400)		**2,629**		2,511
Prairie Ventures Limited Partnership (c)				
Cost $7,372 (2007 - $11,672)		**8,015**		9,838
Meadow Lake Pulp Limited Partnership (d)				
Cost $277,901 (2007 - $277,901)		**30,630**		29,285
Other		**3,857**		3,811
	$	**66,982**	$	75,988

a) The Corporation holds common shares and subordinated debt in Big Sky Farms Inc. (Big Sky). This subsidiary contributed losses of $12,191 (2007 – loss of $4,144) to the Corporation's financial results. During the year, the Corporation made a $3.5 million debt investment in the subsidiary.

b) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings owns limited partnership units in Foragen Technologies Limited Partnership. This joint venture contributed losses of $192 (2007 – loss of $580) to the Corporation's financial results. During the year the Corporation made a $600 equity investment in the joint venture, and received $290 as a return of capital.

c) The Corporation, through its wholly owned subsidiary CIC PVF Holdings Inc. owns limited partnership units in Prairie Ventures Limited Partnership. This subsidiary contributed earnings of $5,538 (2007 – loss of $334) to the Corporation's financial results. During the year the Corporation received $6,156 from redemptions of units.

d) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., has an equity interest in and loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation also has loans receivable from MLPLP through its wholly-owned subsidiary, 101069101 Saskatchewan Ltd. This variable interest entity contributed earnings of $983 (2007 - $76) to the Corporation's financial results.

December 31, 2008

8. INVESTMENTS
(thousands)

Equity Investments

		2008		2007
Bioriginal Food and Science Corp (a)				
Cost $7,835 (2007 - $7,835)	$	2,408	$	3,442
Can Pro Ingredients Ltd. (b)				
Equity - cost $5,355 (2007 - $3,675)				
Debt - cost $1,575 (2007 - $1,575)		6,893		5,174
Clinicare Corporation (c)				
Cost $3,000 (2007 - $3,000)		1,222		2,188
Corporation HET (d)				
Cost $3,000 (2007 - $nil)		2,614		-
Jump.ca Wireless Supply Corp.				
Cost $6,418 (2007 - $6,502)		8,270		6,845
L&M Wood Products Limited Partnership (e)				
Equity - cost $1,550 (2007 - $nil)				
Debt - cost $2,450 (2007 - $nil)				
Put options - cost $nil (2007 - $nil)				
Cash held in trust - cost $nil (2007 - $4,000)		4,293		4,000
Meadow Lake Mechanical Pulp Inc. (f)				
Equity - cost $nil (2007 - $5,000)				
Leases - cost $586 (2007 - $932)				
Debt - cost $3,316 (2007 - $5,513)		3,873		12,077
Meadow Lake OSB Limited Partnership (g)				
Cost $29,800 (2007 - $27,500)		27,700		30,740
Saskferco Products Inc. (h)				
Cost $nil (2007 - $68,500)		-		134,708
Solido Design Automation Inc.(i)				
Cost $3,500 (2007 - $3,500)		1,526		2,338
VendAsta Technologies Inc. (j)				
Cost $600 (2007 - $nil)		613		-
Western Life Sciences Venture Fund Limited Partnership (k)				
Cost $7,600 (2007 - $7,600)		-		1,919
Other		1,422		1,463
	$	60,834	$	204,894

December 31, 2008

8. **INVESTMENTS (CONTINUED)**
(thousands)

Available-for-sale investments - cost basis

		2008		2007
MCN Bio Products Inc.				
Cost $1,502 (2007 - $1,502)	$	1,502	$	1,502
Performance Plants Inc.				
Cost $7,600 (2007 - $7,600)		7,600		7,600
Phenomenome Discoveries Inc.				
Cost $5,150 (2007 - $5,150)		5,150		5,150
Wave Energy Ltd. (l)				
Cost $11,999 (2007 - $Nil)		11,999		-
Quantec Geoscience Ltd. (m)				
Cost $3,000 (2007 - $2,000)		3,000		2,000
Targeted Growth Canada Inc.				
Cost $8,749 (2007 - $8,749)		8,749		8,749
Other		5,464		7,387
	$	43,464	$	32,388

Available-for-sale investments - fair value basis

		2008		2007
Axia NetMedia Corporation				
Cost $3,025 (2007 - $,3025)	$	875		1,590
Bulldog Resources Inc. (n)				
Cost $nil (2007 - $724)		-		1,171
Churchill Energy Inc.				
Cost $1,800 (2007 - $1,800)		1,400		650
Cordy Oilfield Services Inc.				
Cost $232 (2007 - $232)		420		2,499
Premium Brands Income Fund				
Cost $12,983 (2007 - $13,571)		9,975		17,550
Tristar Oil & Gas Ltd.				
Cost $1,722 (2007 - $576)		1,720		974
Universal Energy Group Ltd.				
Cost $1,334 (2007 - $1,334)		2,899		9,553
Other		877		704
	$	18,166	$	34,691

December 31, 2008

8. **INVESTMENTS (CONTINUED)**
(thousands)

Held for trading

		2008		2007
Clothing For Modern Times				
Equity - cost $7,489 (2007 - $7,489)				
Debt - cost $8,680 (2007 - $9,040)	$	16,294	$	16,594
	$	16,294	$	16,594

Loans and other advances (o)

		2008		2007
Northwest Communities Holdings Inc. (p)				
Cost $nil (2007 - $2,000), Interest Rate - 10%,				
Maturity - January 21, 2008	$	-	$	2,190
Stegg Ltd.				
Cost $6,005 (2007 - $6,005), Interest Rate - 14%, Maturity - March 22, 2009		6,080		6,005
Terra Grain Fuels Inc.				
Cost $26,227 (2007 - $26,900), Interest Rate - 10.5%,				
Maturity - May 13, 2012		26,836		26,900
Other		2,480		4,941
	$	35,396	$	40,036
Total investments	$	174,154	$	328,603

Equity basis investments

a) Included in the net book value of Bioriginal Food and Science Corp. (Bioriginal) is $1.7 million (2007 - $1.9 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 0.5 years to 5 years.

b) During the year the Corporation made a $1.7 million equity investment in Can Pro Ingredients Ltd.

c) The Corporation owns common shares in Clinicare Corporation (Clinicare). Included in the investment balance is $1.5 million (2007 - $1.8 million) of intangible assets identified upon acquisition. The various intangible assets are being amortized over useful lives up to 10 years.

d) During the year the Corporation made a $3.0 million equity investment in Corporation HET. Included in the investment balance is $1.7 million (2007 – $nil) of intangible assets identified upon acquisition. The Corporation is in the process of allocating the purchase consideration for Corporation HET between goodwill and intangibles. Any amortization of intangibles will begin in 2009.

8. INVESTMENTS (CONTINUED)

e) During the year the Corporation released a $1.55 million equity investment in L&M Wood Products Limited Partnership and a $2.45 million subordinated debt investment, which was held in trust at December 31, 2007. The Corporation holds a put option on its 18.60% ownership interest in the partnership, and the partnership holds a call option on the Corporation's investment. The value of the two options range from a low of the greater of the original investment plus a return of 20% and fair market value, to a high of the greater of the original investment plus a return of 25% and fair market value.

f) During the year the Corporation sold its equity investment in Meadow Lake Mechanical Pulp for $6.37 million and $2.94 million of non interest bearing loans were repaid. The Corporation continues to hold debt investments and lease receivables in the company.

g) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc., owns limited partnership units in Meadow Lake OSB Limited Partnership (ML OSB). The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB, 10,000,000 of these options are segment one options expiring December 19, 2011 and 9,980,000 are segment two options expiring October 1, 2008.

During the year the Corporation cancelled 1,872,220 of the segment one options held by Northwest Communities Holdings Inc. (NWC) as realization of security against the loan of $2.3 million to NWC which was in default. The exercise price on the remaining 8,127,780 segment one options is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest.

During the year 9,980,000 segment two options expired unexercised, however, 5,000,000 of these options were extended until October 1, 2009 with an increase in the floor price of the option to $1.51 from $1.00.

h) During the year the Corporation sold its 49.5% interest in Saskferco Products Ltd. for net proceeds of $816.9 million resulting in an accounting gain of $679.8 million. The Corporation received $782.5 million in cash in the year from the sale, which closed on October 1, 2008. The remaining $36.4 million plus interest is held in escrow at year end and will be received in 2009 pending escrow adjustments. The Corporation distributed the proceeds received in 2008 to its shareholder in the form of share redemptions and dividend payments. Expenses related to the sale include a $2.0 million performance fee due to the investment manager which will be paid in 2009.

i) The Corporation owns convertible, participating Class A and Class B preferred shares of Solido Design Automation Inc. Included in the total investment balance is $0.9 million (2007 - $1.0 million) of intangible assets identified upon acquisition. The various intangible assets are being amortized over useful lives up to 20 years.

j) During the year the Corporation made a $0.6 million equity investment in VendAsta Technologies Inc.

k) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc. (CIC WLSVF), owns class A partnership units in Western Life Sciences Venture Fund Limited Partnership (WLS).

Available for sale investments – cost basis

l) During the year the Corporation made a $12.0 million equity investment in Wave Energy Ltd.

m) During the year the Corporation made an additional $1.0 million equity investment in Quantec Geoscience Limited.

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8. INVESTMENTS (CONTINUED)

Available for sale investments – fair value basis

n) During the year Bulldog Resources Inc. was acquired by TriStar Oil and Gas Ltd, in exchange for shares of TriStar. As a result Investment Saskatchewan received 95,148 shares of Tri-Star.

Loans and other advances

o) Loans and other advances maturing in 2009 total $13.3 million (2008 - $6.4 million).

p) The Corporation realized on the security for the loan to Northwest Communities Holdings Inc. as described in (g) above.

9. EARNINGS (LOSSES) FROM INVESTMENTS

(thousands)

a) Earnings (losses) from equity basis investments are as follows (thousands):

		2008		2007
Bioriginal Food & Science Corp.	$	**(1,186)**	$	(4,188)
Can Pro Ingredients Ltd.		**(173)**		(182)
Clinicare Corporation		**(988)**		(848)
Corporation HET		**(386)**		-
Jump.ca Wireless Supply Corp.		**1,509**		343
L&M Wood Products Limited Partnership		**(627)**		-
Meadow Lake Mechanical Pulp Inc.		**1,362**		528
Meadow Lake OSB Limited Partnership		**(5,397)**		(3,311)
Solido Design Automation Inc.		**(830)**		(1,035)
Saskferco Products Inc.		**69,404**		38,935
VendAsta Technologies Inc.		**13**		-
Western Life Sciences Venture Fund Limited Partnership		**(1,919)**		(262)
Other		-		201
	$	**60,782**	$	30,181

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9. EARNINGS (LOSSES) FROM INVESTMENTS (CONTINUED)
(thousands)

b) Recovery of (provision for) loan losses :

		2008		2007
Balance, January 1	$	**(4,756)**	$	(9,202)
(Provision for) losses		**(141)**		(808)
Recoveries of provisions for losses		**440**		544
Net recovery (provision) for losses		**299**		(264)
Write-offs		**-**		4,710
Balance, December 31	$	**(4,457)**	$	(4,756)

c) Recovery (write-down) of investments:

		2008		2007
Available-for-sale investments – recoveries (write-downs)	$	**35**	$	(3,079)
Equity basis investments – (write-downs)		-		(414)
Properties – recoveries		-		122
	$	**35**	$	(3,371)

10. PROPERTY, PLANT AND EQUIPMENT
(thousands)

				2008				2007
		Cost		Accumulated Amortization		Net Book Value		Net Book Value
Buildings	$	**76,492**	$	**27,513**	$	**48,979**	$	52,553
Equipment		**48,402**		**28,703**		**19,699**		22,967
Lagoons and wells		**12,251**		**4,203**		**8,048**		9,252
Equipment under capital lease		**11,525**		**4,816**		**6,709**		7,214
Land		**1,134**		**-**		**1,134**		2,405
	$	**149,804**	$	**65,235**	$	**84,569**	$	94,391

Amortization expense for the year is $6,664 (2007 - $7,377).

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11. OTHER ASSETS

(thousands)

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Breeding stock	$ 16,116	$ 4,685	$ 11,431	$ 11,952
Restricted cash	22,337	-	22,337	24,819
	$ 38,453	$ 4,685	$ 33,768	$ 36,771

Amortization expense for the year is $3,332 (2007 - $3,064). Restricted cash consists of the long-term portion of cash held by the receiver of MLPLP of $20,000 and is subject to the order of the Court of Queen's Bench of Saskatchewan. Also included in restricted cash is $2,337 held in escrow related to the sale of Centennial Food's operations.

12. BANK INDEBTEDNESS

Bank indebtedness includes operating credit facilities of $26.1 million (2007 - $24.2 million) related to hog production facilities. The interest rate on these facilities range from the Bankers Acceptance 30 day rate plus 3.5% and prime plus 2.5% (2007 - Bankers Acceptance 2.5% and prime plus 1.5%). The credit facilities are secured by all assets of the hog production facilities and an assignment of insurance.

13. LONG-TERM DEBT

(thousands)

	2008		2007	
	Principal Outstanding	Interest Rate	Principal Outstanding	Interest Rate
A. Saskatchewan Government				
Maturity Date				
March 3, 2008	$ -	-	$ 3,000	9.62
June 1, 2008 (a)	613	6.00	1,092	6.00
August 10, 2008	-	-	3,919	10.06
April 30, 2013 (b)	4,895	1.50	-	-
	$ 5,508		$ 8,011	

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13. LONG-TERM DEBT (CONTINUED)
(thousands)

	2008		2007	
	Principal Outstanding	Interest Rate	Principal Outstanding	Interest Rate
B. Other long-term debt				
Maturity Date				
August 22, 2010 (c)	$ 40,008	prime + 2.50	$ 40,114	prime + 2.50
September 24, 2013 (d)	3,270	12.50	3,140	12.50
November 9, 2009	664	18.00	-	-
February 15, 2010	619	5.00	-	-
	44,561		43,254	
C. Capital leases (e)	9,130	10.37	9,485	10.37
	59,199		60,750	
Less: Due within one year (g)	(43,795)		(49,340)	
TOTAL LONG-TERM DEBT	$ 15,404		$ 11,410	

a) One of the Corporation's subsidiaries is past due on a government hog loan bearing interest at 6%.

b) One of the Corporation's subsidiaries has a government hog loan bearing interest at the Saskatchewan Government cost of borrowing which as at December 31, 2008 was 1.50%. The loan is repayable in monthly installments of $137 thousand commencing in 2010, secured by a general security interest in all assets of the hog production facilities.

c) One of the Corporation's subsidiaries has term loans outstanding that are repayable in monthly installments of $560 thousand (2007 - $560 thousand) plus interest at prime plus 2.5%, (2007 – prime plus 2.5% decreasing to prime plus 0.375%). An additional annual payment is required based on a percentage of excess cash flow. The loans are secured by all assets of the hog production facility and assignment of life insurance. The loans are amortized over eight years and mature on August 22, 2010. During 2008, the subsidiary was in violation of its financial covenants under the terms of agreements with the lender.

The subsidiary and the lender have entered into a forbearance agreement providing a written waiver of the default through to June 30, 2009. It is the subsidiary's intent to refinance the debt at that time. As a result, the Corporation has reclassified these term loans as current liabilities.

Should the subsidiary fail to make principle payments after April 1, 2009, the lender has the option to subscribe for up to 15% of the common shares of the subsidiary.

d) One of the Corporation's subsidiaries has subordinated debentures bearing interest at 12.5% (2007 -12.5%) paid monthly, repayable in annual installments of $600. In addition, a 4% cumulative bonus is payable at the end of the term in 2013.

13. LONG-TERM DEBT (CONTINUED)

e) One of the Corporation's subsidiaries has capital leases with monthly instalments of $132 thousand blended principal and interest, bearing interest at a weighted average rate of 10.373%.

f) The debt of the Corporation's subsidiary is secured by the assets of the subsidiary, with a book value of $133.2 million at December 31, 2008.

g) Principal repayments due in each of the next five years are as follows (thousands):

2009	$	10,507
2010		9,406
2011		9,774
2012		9,863
2013		11,086

The 2009 principal repayments do not include $33,288 of subsidiary term loans that have been reclassified, due to financial covenant violations, as long-term debt due within one year since it is uncertain whether or not the lender will be in a position to demand repayment under the terms of the lending agreements.

14. ENVIRONMENTAL LIABILITIES

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued $25.6 million (2007 – $23.3 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO and these costs are reflected as part of discontinued operations.

The Corporation has accrued $60.1 million (2007 - $14.2 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. These costs are reflected as part of discontinued operations. The increase in the liabilities is as a result of external studies completed on the site.

The environmental liabilities of continuing operations include $0.3 million (2007 - $0.3 million) for decommissioning costs of production facilities. Also included in continuing operations is an accrual of $9.3 million (2007 – $11.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. Since the evaluation of the remediation for this site is in the early stages, there is uncertainty as to the extent of the potential remediation required. The actual costs remain unknown and may differ from the amounts accrued by a material amount in the near term. Any change to the estimate of the environmental liabilities will be recorded prospectively, once these uncertainties are resolved.

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14. ENVIRONMENTAL LIABILITIES (CONTINUED)

A reconciliation of the environmental liabilities balance is provided below: (thousands):

		2008		2007
Environmental liabilities, beginning of year	$	11,526	$	9,500
Liabilities incurred (extinguished) in the year		(2,000)		2,000
Accretion expense		12		26
Environmental liabilities, end of year	$	9,538	$	11,526

A reconciliation of the environmental liabilities of discontinued operations balance is provided below: (thousands)

		2008		2007
Environmental liabilities, beginning of year	$	37,491	$	13,414
Liabilities incurred in the year		45,956		23,272
Accretion expense		2,249		805
Environmental liabilities, end of year	$	85,696	$	37,491

15. INCOME TAXES

(thousands)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows:

		2008		2007
Income (loss) before tax of taxable subsidiaries	$	(26,198)	$	(27,244)
Combined federal and provincial tax rate		31.3%		35.1%
Tax expense (recovery) based on the combined rate		(8,187)		(9,563)
Change resulting from non-deductible items and reduced tax rates		(1,066)		472
Total future income tax (recovery) expense	$	(9,253)	$	(9,091)

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15. INCOME TAXES (CONTINUED)

(thousands)

The tax effect of temporary differences that give rise to significant portions of the future tax liability are as follows:

		2008		2007
Future tax liability:				
Property, plant and equipment - differences in net book value and undepreciated capital cost	$	**7,194**	$	2,028
Other		**1,628**		10,294
Non-capital loss carry-forwards (expire in 2009 to 2017)		**(8,355)**		(2,202)
Net future tax liability	$	**467**	$	10,120

Future tax liability consists of:				
Current portion of future tax liability	$	**467**	$	8,092
Long-term portion of future tax liability		-		2,028
Total future tax liability	$	**467**	$	10,120

16. OTHER LIABILITIES

As part of the final closing of the sale of Crown Life Insurance Company (Crown Life), owned 65.2% by HARO Financial Corporation, to Canada Life Assurance Company (Canada Life), the Corporation issued a $31.4 million (2007 - $35.3 million) letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced during the year due to the reduction in estimated litigation matters. The Corporation recorded a provision of $12.5 million (2007 - $14.2 million) as its best estimate of the actual costs of such contingent liabilities.

17. SHARE CAPITAL AND CAPITAL DISCLOSURES

As a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the Corporation's share capital currently consists of funds invested by CIC in the amount of $180 million. The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has a strong current ratio of 2.8:1 as at December 31, 2008 (2007 - 1.7:1) and has cash and short-term investments on hand to meet its debt obligations.

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17. SHARE CAPITAL AND CAPITAL DISCLOSURES (CONTINUED)
(thousands)

Authorized:		**2008**		2007
Unlimited common shares with no par value				
Issued and outstanding:				
17,999,983 common shares (2007 – 41,951,683)	$	**180,000**	$	419,517

On October 3, 2008, the Corporation redeemed 23,951,700 (2007 – 11,067,700) common shares at $10 per share (2007 - $10 per share) in accordance with directives issued by the Corporation's shareholder, CIC.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
(thousands)

		2008		2007
Unrealized foreign currency translation gains	$	**156**	$	3
Unrealized gains (losses) on available for sale securities		**(861)**		15,717
Gains (losses) on derivative instruments designated as cash flow hedges		-		(369)
	$	**(705)**	$	15,351

19. COMMITMENTS AND CONTINGENCIES

a) The Corporation has committed to invest up to $14.0 million in Foragen by October 13, 2010. The Corporation has provided $13.1 million of this commitment to December 31, 2008 (2007 - $12.5 million).

b) The Corporation has committed to invest up to $3.0 million in Vendasta Technologies Inc. Further funding of the commitment is based on achievement of agreed upon milestones. The Corporation has provided $0.6 million of this commitment to December 31, 2008 (2007 - $nil).

c) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with Extendicare Inc. and the Directors and certain Officers of Crown Life. The Corporation indemnified the Directors and certain Officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity was limited to the dividend plus 10% or $32.1 million and terminates on April 1, 2010. During 2007, the amount of the indemnity was amended to a maximum of $5.0 million.

d) In 1998, one of the Corporation's subsidiaries entered into a twelve year hog supply agreement with Maple Leaf Foods ("MLF") whereby MLF will purchase up to 85% of the subsidiary's hog production to a total of 355,000 hogs per year. In addition, MLF has the first right of refusal on an additional 145,000 hogs to a total of 500,000 market hogs. The price to be paid by MLF will be determined based on the sale of the subsidiary's remaining hogs on a bona fide, arm's length, commercial basis.

e) The future minimum payments under operating leases and contractual obligations for services including investment management services, technology provision and support, and space, in each of the next five years are as follows (thousands):

2009	$	4,106
2010		3,996
2011		3,785
2012		395
2013		395

Operating costs on a premises lease are included above, of which $723 (2007 - $721) is recoverable by way of a sub-lease agreement.

The above includes investment management fees that are predictable, but due to the terms of several investment management service contracts the amounts could increase materially in the future.

f) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2008 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

g) The Corporation has entered into investment management agreements with third party investment managers. Under the terms of those agreements, the investment managers may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of these agreements, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment. The performance fees related to unrealized gains on available-for-sale investments could be material.

h) The Corporation has committed to invest up to a maximum of $4.1 million for potential add-on investments by the Crown Fund.

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20. ITEMS NOT AFFECTING CASH FROM OPERATIONS

(thousands)

	2008	2007
Provision for environmental costs	$ 12	$ 2,000
Provision for (recovery of) loan losses (Note 9(b))	(299)	264
(Recovery) write-down of investments (Note 9(c))	(35)	3,371
Provision for impairment of assets and goodwill	1,328	25,774
Reduction in other liabilities	(1,125)	-
Working capital balances relating to investments	(1,497)	(444)
Earnings from equity basis investments	(60,782)	(30,181)
Amortization	9,996	10,441
Gain on sale of investments	(690,589)	(2,440)
Gain on sale of assets	-	(20,427)
Embedded derivative gains	(842)	(157)
Unrealized hedging losses (gains)	2,556	(4,117)
Future income taxes (recovery)	(9,253)	(9,091)
Non-controlling interest	(1,841)	(6,902)
Other non-cash items	422	213
	$ (751,949)	$ (31,696)

21. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands)

	2008	2007
Decrease in interest and dividends receivable	$ 21	$ -
(Increase) decrease in accounts receivable	(3,095)	35,899
Decrease in inventory	2,772	37,822
Decrease in prepaid expenses	137	9,040
Increase (decrease) in accounts payable and accrued liabilities	3,779	(11,100)
	$ 3,614	$ 71,661

22. FINANCIAL RISK MANAGEMENT

a) Risk management activities

Certain of the Corporation's subsidiaries are exposed to fluctuations in commodity prices, exchange rates and interest rates and have entered into contracts to hedge or manage this exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its subsidiaries involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Commodity prices

One of the Corporation's subsidiaries is exposed to price risk on future hog sales and feed component purchases. The industry in which the subsidiary operates has periods of high price volatility. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). Although the hedge program has proven effective in mitigating price risk for the subsidiary, the relationship between the CME contracts and the cash price fall outside the acceptable correlation for a highly effective hedge as defined by the CICA (see Note 3). As a result, the subsidiary recorded unrealized losses of $2.6 million (2007 – $4.1 million of unrealized gains) in net earnings with respect to these contracts.

ii) Exchange rates

As a portion of certain of the Corporation's subsidiaries sales are settled in U.S. dollars, the subsidiaries sell U.S. dollars forward to reduce foreign exchange risk. At December 31, 2008, the Corporation had entered into the following forward contracts selling the U.S. dollar at future dates, all maturing in less than six months:

	Year	Amounts (CDN)	Rate
US$	2009	$1,000,000	$1.2615

iii) Interest rates

Under the terms of a credit agreement with its lenders which requires the interest rate on 50% of certain bank debt to be fixed, one of the Corporation's subsidiaries entered into the following interest rate swap agreements:

Principle	Fixed rate	Holder	Term	Maturity
$ 4,350,000	4.54%	Bank of Montreal	5 years	May 25, 2009
4,600,000	3.92%	Scotiabank	5 years	October 4, 2010
4,000,000	4.45%	Scotiabank	5 years	October 31, 2011

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair values amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain financial instruments including: cash and cash equivalents, restricted cash, interest and dividends receivable, accounts receivable, bank indebtedness, accounts payable, accrued liabilities and dividends payable have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans and other advances, equity accounted holdings, and non-publicly traded equity investments. The uncertainty and potentially broad range of fair values renders the disclosure of a fair value with appropriate reliability impractical.

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22. FINANCIAL RISK MANAGEMENT (CONTINUED)

At year end, the fair value of the following financial instruments is presented below:
(thousands)

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Publicly traded equities	$ 18,166	$ 18,166	$ 34,691	$ 34,691
Long-term debt	5,508	5,508	6,919	7,085
Long-term debt, other	53,691	53,691	53,831	53,831
Interest rate swap agreements	(458)	(458)	-	(3)
Foreign exchange forward contracts	9	9	(223)	(223)
Commodity forward contracts	-	-	1,728	1,728

c) Market Risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation's financial instruments impacted by interest rate risk are its cash and cash equivalents, loans and other advances and long-term debt. The Corporation has estimated that with every increase of 1% in the bank rate, our earnings will increase by $1.2 million.

Currency risk relates to some of the Corporation's subsidiaries and equity basis investments with operations in $USD and converting these foreign currency earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Corporation has estimated that with every $0.01 appreciation in the Canadian dollar, EBITA will be adversely impacted by $978 thousand.

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in the public equity markets. The Corporation and its subsidiaries have limited exposure to the public equity markets as 10.4% of our total investments are publicly traded. The Corporation has estimated that with every 10% increase in the broad based North American public markets, our portfolio of respective investments will increase by $2.4 million.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Corporation is exposed to credit risk through its short-term investments, interest, dividends and accounts receivable and loans and other advances. Credit risk related to short-term investments is minimal as the investments are with institutions carrying strong credit ratings. Interest and dividends receivable mainly relates to interest receivable on these short-term investments. All outstanding loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses.

The carrying amount of financial assets represents the maximum credit exposure as follows:
(thousands)

		2008		2007
Cash and cash equivalents	$	**175,627**	$	127,664
Cash of discontinued operations		**-**		1,248
Interest and dividends receivable		**783**		805
Accounts receivable		**6,029**		5,378
Investments – held for trading		**16,294**		16,594
Investments – available for sale		**61,630**		67,079
Loans and other advances (i)		**35,396**		40,036
	$	**295,759**	$	258,804

Note that the carrying value of financial hedges is included in the accounts receivable balance.

(i) Included in the loan balance is $32,916 in loans which are currently being restructured. One loan with a balance of $6,080 is in arrears on interest and principle and therefore accrued interest in the amount of $476 (2007 - $nil) has not been recorded in these financial statements.

The aging of customer receivables, which indicates potential impairment losses, is as follows:
(thousands)

		2008		2007
Current	$	**5,845**	$	5,066
0-30 days overdue		**-**		-
31-60 days overdue		**47**		175
Greater than 60 days overdue		**137**		137
	$	**6,029**	$	5,378

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible. A valuation of debentures, loans and other advances is done annually and all non-performing loans are included in the provision for loan losses. Details of the provision account are provided in Note 9(b).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk other than those noted above.

f) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation through its diversified holdings and through its capital allocation can allocate resources to ensure that all financial commitments are met. Where necessary the Corporation can borrow funds from the GRF, or be provided or provide equity injections to solve any liquidity issues.

The following are the contractual maturities of financial liabilities, including interest payments:
(thousands)

December 31, 2008

	Carrying Amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	$ 26,082	$ 26,082	$ 26,082	$ -	$ -	$ -
Accounts payable	22,790	22,790	22,790	-	-	-
Long-term debt	59,199	83,425	14,175	12,643	33,551	23,056
Dividend payable	-	-	-	-	-	-
	$ 108,071	$ 132,297	$ 63,047	$ 12,643	$ 33,551	$ 23,056

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	Carrying Amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	$ 24,171	$ 24,171	$ 24,171	$ -	$ -	$ -
Accounts payable	19,048	19,048	19,048	-	-	-
Long-term debt	60,750	81,655	12,843	10,908	31,598	26,306
Dividend payable	10,310	10,310	10,310	-	-	-
	$ 114,279	$ 135,184	$ 66,372	$ 10,908	$ 31,598	$ 26,306

During 2008, a subsidiary was in violation of financial covenants under the terms of agreements with its lender. As a result, the Corporation has reclassified these term loans as current liabilities.

23. EMPLOYEE FUTURE BENEFITS

Some of the Corporation's employees participate in defined contribution pension plans that require the Corporation and some of its employees to contribute to the plans based on employees' earnings. The Corporation's obligation is limited to the required contribution. The total cost for the defined contribution plan is equal to the Corporation's

December 31, 2008

23. EMPLOYEE FUTURE BENEFITS (CONTINUED)

required contribution. The Corporation's 2008 pension cost and employer contributions are $315 thousand (2007 - $314 thousand).

24. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:
(thousands)

		2008		2007
Category (as per financial statements)				
Interest and dividends receivable	$	**358**	$	411
Accounts payable and accrued liabilities		**290**		503
Interest and other revenues		**4,496**		5,825
Operating expenses		**4,400**		8,325
Financing expense		**290**		987

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

25. STOCK OPTION PLANS

One of the Corporation's subsidiaries has established a stock option plan under which employees, officers and one of its directors are awarded common share stock options from time to time. The stock options vest over three years and expire approximately ten years from the date on which the option is granted. Once the options are vested, the holders have the ability to exercise a put right in respect of those options which allows the employee a cash settlement equal to the difference in the book value of the subsidiary's common shares, adjusted by certain items, at exercise date versus the grant date. If the put right is exercised, the related stock option is forfeited and vice versa.

25. STOCK OPTION PLANS (CONTINUED)

Stock option and put right transactions during the year are as follows:

	Number	Weighted Average Stock Option	Exercise Price Put Right
Beginning of Year	667,000	$ 4.85	$ 3.96
Granted	70,000	8.50	6.28
Exercised	(487,000)	4.02	3.53
Expired	-	-	-
End of Year	250,000	7.51	5.44
Exercisable	161,000	6.97	5.10

At December 31, 2008, the stock options have a weighted average remaining life of 5.34 years (2007 – 3.67 years). Total compensation expense (recovery) recognized in income for stock-based employee compensation awards during the year was $0.5 million (2007 - $0.2 million). Options outstanding represent approximately 0.2% (2007 – 6.2%) of the outstanding shares of the subsidiary.

26. RESTRICTED CASH

Restricted cash consists of $20.6 million (2007 - $21.5 million) relating to the current portion of cash held by the receiver of MLPLP and is subject to the order of the Court of Queen's Bench of Saskatchewan. Also included in restricted cash is $36.7 million (2007 - $nil) held in escrow related to the sale of Saskferco Products Inc.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Corporate Governance

BOARD OF DIRECTORS

The following members were appointed to the IS Board of Directors on February 6, 2008:

- Chairperson - Janice MacKinnon, of Saskatoon, Saskatchewan
- Vice-Chair - Rob Stenson of Winnipeg, Manitoba
- Bryan Rindal of Prince Albert, Saskatchewan
- Neal Krawchuk of Saskatoon, Saskatchewan
- Merv Massier of Saskatoon, Saskatchewan

Paul Martin of Regina, Saskatchewan served on the Board from October 3, 2003 until September 22, 2008.

Dennis Mulvihill of Regina, Saskatchewan served on the Board from October 25, 2006 until May 14, 2008.

CORPORATE GOVERNANCE

The Board of Directors is composed of five directors and is responsible for establishing the Corporation's overall strategic direction as well as for ensuring the direction is operationalized through the organization's business plan. It has the authority and obligation to protect and enhance the assets of the Corporation in the interests of the Shareholder.

The Board is responsible for the stewardship of the Corporation. In fulfilling its stewardship responsibilities, the principal duties of the Board are to:

- set the long-term strategic direction of the Corporation, approve an annual plan and performance targets, and monitor the Corporation's performance against plan;
- ensure compliance with the Corporation's statutory responsibilities;
- identify with management the risks to the Corporation and set policies and procedures to manage those risks;
- ensure the integrity of the Corporation's internal controls and financial systems;
- review the performance of the Managing Director and ensure that succession plans are in place; and,
- adopt policies for effective communications with the shareholder, stakeholders, and the public.

BOARD COMMITTEES

The Board's responsibility to ensure the operation of a successful business is an active, not passive one. Regular Board and committee attendance, preparation, and participation in setting goals and requiring performance in the interests of the shareholder, are evidence of the involvement and commitment of the Directors.

During 2008, the Board operated with one committee, Audit and Finance, of which all Board members were a member. The full Board has taken on the responsibilities of previously existing committees, namely Governance and Human Resources, Investments, and Communications and Public Relations.

AUDIT AND FINANCE COMMITTEE

This committee monitored and reviewed the financial performance of the Corporation. The committee reviewed internal controls, risk management practices, significant accounting policies, and regulatory and financial reporting requirements. In addition, the committee reviewed and recommended key financial indicators, capital and operating budgets, and quarterly and annual financial statements. It provided oversight to the external auditor's involvement and independence, reviewed and approved significant non-audit services, and reviewed directors' expenses and operating costs of the Board.

Investment Saskatchewan's approach to corporate governance is substantially consistent with the Canadian Securities Administration (CSA) Corporate Governance Guidelines and Disclosure Practices. IS's corporate governance practices are benchmarked against the CSA's National Policy 58-201 and National Instrument 58-101 in the following scorecard.

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
Composition of the Board		
The Board should have a majority of independent directors	✓	At December 31, 2008, the Board was comprised of five directors, all were independent
Disclose the identity of the directors, and describe who is independent and the basis for determination of their independence	✓	As of December 31, 2008, Investment Saskatchewan's Board consisted of the following Janice MacKinnon, Chair INDEPENDENT Professor, University of Saskatchewan Rob Stenson, Vice-Chair INDEPENDENT Chief Executive Officer, AgGrowth Income Fund Neal Krawchuk INDEPENDENT Vice-President, Mega Group Inc Merv Massier INDEPENDENT Consultant Bryan Rindal INDEPENDENT President, BTR Financial Planning/Berkshire Investment Group Dennis Mulvihill INDEPENDENT Managing Director, RBC Capital Markets Served on the Board from October 25, 2006 until May 14, 2008 Paul Martin INDEPENDENT President, Paul Martin Communications Inc Served on the Board from October 3, 2003 until September 22, 2008
Indicate whether directors are directors of any other issuer	n/a	Not applicable. IS is 100% owned by the Crown Investments Corporation of Saskatchewan (CIC)

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
The chair of the Board should be an independent director who provides leadership to the Board and ensures that the Board's agenda will enable it to successfully carry out its duties.	✓	The chair of the Board was an independent director who provides leadership to the Board, and ensured that the Board carries out its fiduciary and legal responsibilities at each meeting.
Meetings of the Board		
The independent directors should hold regularly scheduled meetings without non-independent directors and members of management in attendance.	✓	All directors were independent, and at each regular meeting the Board conducted an in-camera session without management present.
Disclose the number of meetings held, and the attendance record of each director for Board meetings held in the most recently completed financial year.	✓	The Board held 13 meetings in 2008. The number of meetings attended by each director is set out below: Director — Meetings Attended Janice MacKinnon, Chair — 13/13 Rob Stenson, Vice-Chair — 10/13 Neal Krawchuk — 13/13 Merv Massier — 13/13 Bryan Rindal — 12/13 Dennis Mulvihill — 5/5 (resigned from the Board May 14, 2008) Paul Martin — 6/10 (resigned from the Board Sept. 22, 2008)
Board Mandate		
The Board should have a written mandate outlining its responsibilities for the stewardship of the Corporation including:	✓	The Board has approved Terms of Reference which acknowledges the Board's responsibility for stewardship of the Corporation.
• Satisfying itself regarding the integrity of the CEO and other executive officers and that they create a culture of integrity throughout the organization.	✓	The Board of Directors has approved corporate values, conflict of interest and code of conduct policies for the Corporation and its employees and has in place practices to monitor compliance.
• Adopting a strategic planning process which includes the risks and opportunities facing the organization.	✓	The Board provides leadership in setting the long range strategic direction of the Corporation which includes consideration of the risks and opportunities facing the organization. The Board annually approves the Strategic and Business plan.
• Identification of the principal risks facing the business, and ensuring the implementation of systems to manage these risks.	✓	On a quarterly basis the Board reviews a portfolio risk assessment. The Board of Directors ensures that appropriate policies and systems have been put in place by management to manage the principal business risks of the Corporation, and receives regular reports from management on the effectiveness of these systems.

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
• Succession planning;	✓	The Board of Directors is responsible for selecting and appointing the Managing Director and for succession planning within the organization
• Adopting an effective communication policy;	✓	The Board has approved communications policies for the Corporation
• The internal control and management information systems;	✓	The Board of Directors has established, and evaluates the effectiveness of, internal controls, accounting policies and financial reporting and disclosure practices. The Audit and Finance Committee meets regularly with the external auditors and management of the Corporation to ensure the integrity of these policies, practices and systems. The Board of Directors, on recommendation from the Audit and Finance Committee approves the quarterly and annual financial statements
• Developing the organization's approach to corporate governance (i.e. set of principles and guidelines);	✓	The Board of Directors insists on adoption of industry best-practices whenever possible. The Shareholder also provides direction to all Crown Corporation Boards related to governance practices
• Establishing measures by which stakeholders can communicate with the Board; and	✓	The Board and senior management meet with the CIC Board annually to present the Corporation's annual plan. Public quarterly and annual financial statements are available to internal and external stakeholders. The Chair of the Board participates in a forum established by CIC which is comprised of the Chairs of all subsidiary Crown Boards and senior CIC officials where issues of mutual interest are shared
• Establishing the expectations and responsibilities of directors	✓	The Board of Directors has approved Terms of Reference for the Board and its Committee which outline the responsibilities of the directors. There are approved Terms of Reference for the Board Chair and Committee Chair
Position Descriptions		
The Board should develop clear position descriptions for the Chair of the Board, and Chair of each Board committee	✓	The Board has approved position descriptions for the Chair of the Board, and Chair of Board committees
The Board should develop a position description for the CEO delineating management's responsibilities and approving goals and objectives that the CEO is responsible to meet	✓	The Board has approved a position description for the Managing Director, the Corporation's senior management position. The Board has also established policies for commitment approvals and expenditure authority levels to delineate responsibilities of the Board and the Managing Director. The Board is responsible for developing the Managing Director's annual performance objectives, and evaluating the Managing Director's performance against those objectives

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
Orientation and Continuing Education		
The Board should ensure that all new directors receive a comprehensive orientation which encompasses the following items: • The role of the Board and its committees; • The contribution (in terms of time and resources) each individual director is expected to make; and • The nature and operation of the business.	✓	The Board is responsible for the development and implementation of director orientation and continuing education programs. New directors receive a Board Handbook that includes an overview of the Corporation, and its operations. CIC offers orientation to new directors and on-going training for directors of Crown Boards. Board members are encouraged to participate in corporate governance training sessions offered by industry experts.
The Board should ensure that continuing education opportunities are provided to allow all directors to maintain and enhance their skills and abilities as directors as well as ensuring that their knowledge and understanding of the business remains current.	✓	Board members are provided with opportunities for continuing education through training sessions offered by CIC. Board members are encouraged to participate in corporate governance training sessions offered by industry experts.
Code of Business Conduct and Ethics		
The Board should adopt a written code of business conduct and ethics which is designed to promote integrity and to deter wrongdoing, and is applicable to all directors, officers and employees of the organization. The code should address conflict of interest, protection and proper use of corporate assets, confidentiality, fair dealings and practices, compliance with laws, rules and regulations, and mechanisms for reporting of illegal or unethical behavior.	✓	The Board has approved Conflict of Interest and Code of Conduct policies for the directors and employees of the organization. These policies provide guidelines for the highest standard of conduct including: equal treatment; ethical business conduct with suppliers, partners and corporate property; upholding the Corporation's values, principles and policies; confidentiality; and compliance with the law. In addition, directors of the Corporation are required to abide by the CIC Directors Code of Conduct. The Board has approved a Reporting of Irregularities policy to facilitate the reporting of illegal or unethical behaviors directly to senior management or the Board. The Board has also approved a Corporate Privacy policy. Employees receive mandatory privacy training and comprehensive privacy compliance guidelines and procedures. Copies of the Codes may be obtained from the Corporation.
The Board should monitor compliance with the code, and any wavers for a material departure from the code for directors or executive officers should be granted by the Board.	✓	The Board receives information on an ongoing basis related to policy compliance, including annual reporting regarding privacy compliance. The Board Chair receives results of the directors and executive officers self-declaration process. Any waivers from the code would be approved by the Board. In 2008, there were no waivers granted by the Board.

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
Describe the steps taken to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive director has a material interest.	✓	If a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to disclose such interest at the meeting where the matter is considered and not participate in discussion about or vote on the matter. Management monitors agenda items to identify any items relating to a matter on which a director has declared a material interest and materials on those items would not be distributed to the director.
Describe any other steps the Board takes to encourage and promote a culture of ethical conduct.	✓	The Board encourages and promotes a culture of ethical conduct by insisting that the Corporation follow governance and industry best-practices, and approving a code of values for the Corporation.
Nomination of Directors		
The Board should appoint a nominating committee which is composed entirely of independent directors, and establish a written charter that establishes the committee's purpose, responsibilities, member qualifications, appointment, structure and operations.	n/a	Although the Board may make recommendations to its Shareholder regarding the appointment of directors, this is a function that is generally left entirely to the discretion of the Shareholder, CIC.
The Board should adopt a nomination process which considers the competencies and skills the Board should possess as a whole; the competencies and skills each existing director possesses; and the competencies and skills each new nominee should bring to the boardroom.	✓	The Board established a skills profile for Directors, and may make recommendations to the Shareholder with a view to maintaining and enhancing the appropriate mix of expertise, experience and diversity of the Board. The selection of directors is, however, left entirely to the discretion of the Shareholder and is not a Board function.
Compensation		
Describe the process by which the Board determines the compensation for the directors and officers.	✓	The Corporation's Shareholder, CIC, sets the compensation and expense reimbursement rates for the Corporation's directors. The IS Board has the authority to establish officer compensation.
The Board should appoint a compensation committee which is composed entirely of independent directors. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, appointment and operations. The compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	✓	Given the small number of employees of the Corporation, the Board as a whole deals with compensation decisions and seeks inputs from outside advisors related to compensation issues as necessary.

CSA CORPORATE GOVERNANCE GUIDELINES	INVESTMENT SASKATCHEWAN GOVERNANCE PRACTICES	
	ALIGNMENT	DESCRIPTION
The compensation committee should be responsible for reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation based on the evaluation, and reviewing executive compensation prior to public disclosure	✓	The Board is responsible for setting performance objectives for the Managing Director of the Corporation in alignment with the Corporation's annual business plan, for evaluating the Managing Director's performance, and for determining compensation based on the evaluation. The Board sets the Managing Director's base compensation and incentive plan. The Audit and Finance Committee is responsible for review of compensation payments to executives prior to public disclosure of payee information.
Other Board Committees		
Identify standing committees other than audit, compensation and nominating, and describe their function	n/a	Since outsourcing the management of its investment assets in 2006, the Board has determined that no committees of the Board, other than Audit & Finance Committee are required to discharge Board responsibilities.
Regular Board Assessments		
The Board, its committees, and individual directors should be regularly assessed regarding their effectiveness and contribution. The assessment should consider the committee's mandate and charter. In the case of individual directors, the applicable position description and the skills and competencies the director is expected to bring to the Board	✓	Board, Board Chair, and Board Committee evaluations and peer assessments are performed on a two year cycle, and comprehensive Board and Board Chair evaluations are conducted in the following year. In 2008, the Board and Board Chair were evaluated.